FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,575 | Wednesday March 27 1985 | D 8523 B

EMS and the private use of the Ecu, Page 17

World news

Police hold 239 in South Africa

South African police arrested 239 demonstrators marching on parliament in the centre of Cape Town, including church leaders Allan Boesak and Beyers Nande.

The demonstrators tried to present a petition to President P. W. Botha expressing solidarity with the victims of recent rioting and calling for negotiations with representative black leaders.

The Commission of Inquiry set up to investigate last week's shootings is due to start taking evidence from eye-witnesses today. Page 3

Shooting reaction

The Reagan Administration, although still angry over the shooting of Major Nicholson in East Germany by a Soviet soldier, was treating it as an isolated incident which would not damage prospects for an overall improvement in relations between Washington and Moscow. Page 4

Iraq attacks Tehran

Iraqi jets attacked Tehran, killing at least nine people and three other Iranian cities, as an Iranian newspaper predicted unspecified measures against Gulf Arab ports because of continued Iraqi strikes against shipping.

Peres troops hint

Israeli Prime Minister Shimon Peres said Israeli troops might leave Lebanon sooner than expected. He did not specify a date, although mid-May has been mentioned in press reports. Page 3

Spanish farm lobby

A Spanish farm lobby against the proposed terms of entry to the EEC has begun to form ahead of what is scheduled as Spain's final negotiating session in Brussels tomorrow. Portugal, meanwhile, appears to be assuming the role of hard bargainer. Page 2

Islands' leader quits

Turks and Caicos Islands Chief Minister Norman Saunders resigned after his arrest in Miami on drug trafficking charges.

Swedish threat

The Swedish Government said it would act to halt imports of South African coal if companies did not agree to stop them voluntarily.

Walters accepts

President Reagan's nominee as U.S. ambassador to the United Nations, retired General Vernon Walters, told the White House he would accept the post. There had been speculation that he would not.

Hungarian speaks out

A leading Hungarian Communist official stunned delegates to the country's Communist Party congress when he stated that present day socialism in Eastern Europe was rooted in "revolutionary illusions" and was in the process of changing. Page 2

U.S. embassy 'bugs'

The Soviet Union bugged typewriters in the U.S. embassy in Moscow so that Soviet officials could read secret documents before the U.S. diplomats they were intended for, a CBS news report said.

Mengele reward

The Washington Times, owned by associates of South Korean religious leader Sun Myung Moon, offered a $1m reward for information leading to the capture of Nazi war criminal Josef Mengele. Moon is in a U.S. prison for tax evasion.

Chile bomb blast

Two Chilean explosives experts died trying to defuse a bomb planted in a hotel in the southern city of Concepcion.

Business summary

GE faces court over Pentagon contract

GENERAL ELECTRIC, the fourth largest U.S. defence contractor, has been charged with incorrectly billing the Government on a Pentagon contract five years ago. GE is the largest defence contractor ever to face such court action. Page 18

WALL STREET: The Dow Jones industrial average closed down 0.22 at 1,259.72. Section III

DOLLAR fell in London, closing at DM 3.209 (DM 3.2375); SwFr 2.721 (SwFr 2.741); FFr 9.8025 (FFr 9.8875) and Y255.45 (Y256.85). On Bank of England figures the dollars' exchange rate index fell from 150.5 to 149.6. In New York it was $1.1887. Page 37

STERLING was firm in London rising 1.1 cent against the dollar to 1.1825. It also rose to SwFr 3.2125 (SwFr 3.21), and Y302.0 (Y300.75). It was unchanged at DM 3.795 and FFr 11.59. The pound's exchange rate index was also unchanged at 75.7. In New York it was DM 3.193, FFr 9.7525, SwFr 2.7065 and Y255.40. Page 37

GOLD rose $8.25 an ounce on the London bullion market to close at $324. It also rose in Zurich to $324.50 from $315.25. In New York the Comex April settlement was $324.40 ($316.40). Page 36

LONDON: Shares were hit by interest rate fears and the FT Ordinary dropped 7.9 to 982.0. Gilts were mixed. Section III

TOKYO equities recouped early losses. The Nikkei Dow market average gained 7.11 to 12,486.15. Section III

NEW ZEALAND securities authorities are investigating share deals which pushed up the price of Alex Harvey Industries by more than 20 cents ahead of Friday's NZ$551m (U.S.$252m) bid from Carter Holt. Page 20

OHIO state has filed a $432m lawsuit against the executives of Home State Savings Bank, the institution whose collapse led to the temporary closure of 70 state-insured savings institutes. Page 19

DRESDNER, West Germany's second-largest bank, has opened an office in Taiwan to cater for a growth in trade which has made Germany the country's fourth-largest trading partner. Page 20

ENTERPRISE OIL, UK oil group, reported net profits of £62.6m ($72.6m) in the first full year since its public share issue, exceeding estimates by London analysts. Lex, Page 18; Details, Page 24.

STATOIL, Norway's state-owned oil company, is to buy the Swedish oil and petrochemicals operations of Exxon, the U.S. group, for between NKr 2bn ($215m) and NKr 2bn. The deal includes oil marketing operations, 420 service stations, and a 365,000 tonnes-a-year ethylene plant. Page 21

BRITISH AEROSPACE boosted pre-tax profits 46 per cent to £120.2m ($139.4m) in 1984 in line with expectations. Lex, Page 18; Details, Page 24.

RECKITT & COLMAN, the UK food and household products group, lifted taxable profits almost 20 per cent to £106.4m ($123.4m) last year. Lex, Page 18; Details, Page 23

BORG-WARNER Acceptance Corporation, a large U.S. finance company, has called in its $214m loans to White Farm Equipment company, a troubled U.S. and Canadian farm machinery group which has been hit by the U.S. agricultural slump.

DUNLOP Malaysian Industries, tyre and rubber group recently acquired by Sime Darby, suffered a 44 per cent fall in pre-tax profits to 18.5m ringgit ($7.2m) – its fifth successive year of declining earnings. Page 20

THE AGA KHAN became Italy's leading hotelier, buying the luxury Ciga hotel chain. Page 19

U.S. invites allies to join space defence research

THE U.S. yesterday formally invited its European allies in Nato, with Japan, Australia and Israel, to participate in the research phase of its controversial strategic defence initiative, writes Bridget Bloom, Defence Correspondent, in Brussels.

Shortly after the invitation was conveyed to Nato defence ministers in a letter from Mr Caspar Weinberger, U.S. Defence Secretary, the White House in Washington firmly denied reports that President Ronald Reagan would be seeking a declaration of support for the star wars space defence programme at the seven-nation world economic summit in Bonn on May 2-4.

There was no basis for the "far-fetched" report, which first appeared in Monday's Los Angeles Times, a spokesman said. Mr Reagan welcomed the support for research under the programme that he had already received from allied governments, but there was "no plan, even conceptually" to seek the summit's endorsement, the White House said.

The Weinberger invitation has also been extended to France which was not represented at yesterday's meeting of Nato's nuclear planning group because she stands outside the Alliance's integrated military structure.

In his letter, Mr Weinberger asks his Nato colleagues to let him know within 60 days whether they are interested in participating in the research programme, and if so, in what area. He offers special bilateral scientific briefings over the next two months and says that any deal on participation would be the result of bilateral negotiations.

The letter contains few details of what research offers might be involved. But in a clear attempt to reassure European governments that any eventual ballistic missile defence system would also have relevance for Europe, Mr Weinberger notes that the SDI programme would not confine itself "solely to an exploitation of technologies with potential" against long-range, intercontinental ballistic missiles but also against shorter range weapons.

According to reports from the meeting – held behind closed doors – European defence ministers broadly welcomed the U.S. offer although several have been sceptical in private on what the offer might mean in practice, given current U.S. policies on control of the transfer of sensitive technology. Participation in space defence research would inevitably require access to some U.S. technology.

As if underlining these concerns, a senior U.S. official told a press conference in Luxembourg that the U.S. Administration would undoubtedly "insist on more than the normal measure" of control against leakages of the key technologies which would be involved in the SDI programme.

However, the U.S. Administration sees potential in allowing a prominent research role to European companies which have a lead in certain technologies, so as to avoid a duplication of effort by U.S. concerns.

More generally, defence ministers seemed concerned yesterday to put aside misgivings on the longer term implications of SDI for the time being and to emphasise the approval by European members of Nato of the current research phase of the programme.

The tone of the meeting was said to have been in marked contrast to the acerbity which has crept into the U.S.-Europe exchanges on SDI following the critical assessment of the dangers of development and deployment of a ballistic missile defence which has been made in the past 10 days by the British and West German foreign ministers.

Mr Weinberger re-emphasised that the research programme would

Continued on Page 18

West Germany plans to give new boost to capital markets

BY JONATHAN CARR IN BONN

WEST GERMANY is expected to take steps shortly to make its capital markets more attractive to foreign and domestic banks.

Foreign banks are to be allowed to lead-manage foreign D-Mark bond issues, a lucrative activity denied them at present. Domestic banks will become free to offer a range of innovative financial instruments – including zero-coupon bonds and variable interest rate facilities – which West Germany has resisted up to now.

The moves, expected within two months, are being made by the Bundesbank as part of its drive to liberalise the capital markets. The central bank last year successfully campaigned for the abolition of the coupon tax.

Word of the development emerged in Bonn yesterday on the margins of the congress of the Federal Association of German Banks, the first such gathering for six years.

The Bundesbank's aim is to help to make West Germany (notably Frankfurt) more lively and attractive as a financial centre, inducing an inflow of funds which would boost the D-Mark.

In a speech to the congress, Herr Karl Otto Pöhl, the Bundesbank president, noted that in past years the central bank had sought to brake the strong upsurge of the D-Mark into a major reserve currency role.

Currently, however, the danger was rather the reverse, with the D-Mark's reserve role declining (except in the European Monetary System where partner central banks had built up big stocks of the West German currency).

The removal of coupon tax, which foreigners had to pay on the interest they received from German domestic bonds, had been one step towards halting this development, Herr Pöhl said. Others had to follow.

Senior German bankers broadly welcomed the Bundesbank's strategy – although several made it clear yesterday that they would like to see deregulation go even further.

Among their proposals are that "offshore" financial centres be permitted in West Germany, with Euro-currency business fully freed from the Bundesbank's strict minimum reserve requirements.

The central bank makes it clear that it is not ready to take that step – which could undermine its control of the money supply – although it is understood that the issue will be carefully reviewed.

The lifting of the lead-management restriction on foreign banks will probably lead to the liquidation of the capital markets sub-committee, which so far has set the calendar for D-Mark foreign bond issues. In future such issues would merely have to be notified to the Bundesbank.

The German banks are also keen that they should gain reciprocal benefits abroad, in parallel with the lead-management advantage about to be given to foreign banks in Germany. The Bundesbank is to take this up with other central banks.

International capital markets, Page 38

Employers moot UK political reforms

By John Lloyd, Industrial Editor, in London

THE MAIN employers' body in the UK, the Confederation of British Industry (CBI), is proposing that its members consider lobbying for far-reaching constitutional change.

Ideas being put forward include campaigning for proportional representation at general elections, an extension of the present five-year parliamentary term, more power for the House of Lords, an end to budget "secrecy" and a Bill of Rights.

The CBI, in a document published for its membership yesterday, also suggests that there should be a more formal consultative mechanism between government and business.

The document, called "Change to Succeed," is intended to produce a business strategy which will act as a spur to CBI members and a pressure on the Government for reform.

It represents a considerable advance in CBI lobbying tactics. Sir Terence Beckett, the CBI director general, said yesterday: "We attach very considerable significance to this.

"We felt we needed to put all our various policies together, that they should no longer be issued as bits and pieces. We need a total strategy."

Sir James Cleminson, the CBI president, writes in the foreword to the document that while free enterprise had "created the most good of any economic system," its validity would increasingly be called into question if it could not "find ways of ending the blight of unemployment."

Sir James said yesterday: "I do believe that not only will it be called into question, it already has been. If the free enterprise system in the north of the country means 20 per cent unemployment in some areas,

Continued on Page 18

Servan-Schreiber quits over Paris computer policy

BY PAUL BETTS IN PARIS

M JEAN-Jacques Servan-Schreiber has resigned as chairman of the Paris-based World Computer Centre in protest in part against the French Government's insistence that computer workshops throughout the country be equipped with French-made models rather than machines designed by Apple of the U.S.

M Servan-Schreiber, whose Le Defi Americain (The American Challenge) in 1967 warned of the dangers of Europe being overwhelmed by U.S. technological power, founded L'Express, the news magazine; served as a minister in the Giscard d'Estaing Government until his dismissal and formed the Radical Party.

In recent years, he has become a crusader for the application of computer technology in everyday life and industry in France.

This prompted him to found, with government backing, the World Computer Centre to promote knowledge and international exchanges in information technologies.

He subsequently proposed to President François Mitterrand a plan to introduce computer workshops throughout France which won the backing of M Gaston Defferre, the veteran Socialist minister.

The plan, however, involved ordering about 300,000 personal computers from Apple, which was negotiating with the French authorities the construction of a manufacturing facility in France.

This led to a fierce reaction from the French domestic computer industry led by the state-owned Bull and Thomson electronics groups, which successfully fought to block the Apple proposal.

The Government of Prime Minister M Laurent Fabius has now launched an alternative programme to M Servan-Schreiber's project. M Fabius's programme has been entrusted to M Gilbert Trigano, the chairman of the Club Mediterranée holiday village group, who will install 120,000 computers in French schools, colleges and universities by next September to a total value of FFr 2bn ($200m).

The bulk of the orders are going to Bull and Thomson, despite protests from the U.S. authorities as well as from U.S. and British personal computer companies.

M Servan-Schreiber disagreed with the Government's decision and in his letter to President Mitterrand expressed "his concern over the government choices in the delicate and crucial field of computer technology."

M Servan-Schreiber says his disagreements with the Government have been frequent and "permanent since the summer of 1984."

The French Cabinet is expected to appoint a replacement for M Servan-Schreiber today. His resignation is seen by many, however, as reflecting his increasing disillusionment with the centre as much as his disagreement with the Government over computer policies.

The World Computer Centre has been accused of bad management and the Cour des Comptes, the French state accounting watchdog, is currently conducting an investigation of the centre. Its first managing director, an American, also resigned from the centre after a row which made the headlines.

Men & Matters, Page 16

Appeal for calm as Neves has third operation

By Andrew Whitley in Rio de Janeiro and Ann Charters in São Paulo

BRAZIL was plunged into a serious political crisis yesterday as President Tancredo Neves, the country's elected but still to be sworn in civilian leader, underwent his third emergency operation in 12 days. By last night its outcome had not been disclosed.

In a telex sent to all state governors and federal administrators, acting President José Sarney appealed for national calm. Other political leaders meeting throughout the day in Brasilia reassured the public repeatedly that the constitution would be respected come what may.

The drama began in the early hours of yesterday, with a dash by ambulance and military aircraft from the hospital in Brasilia where the president has been confined since March 14, to São Paulo. There he was taken straight to Brazil's leading hospital for more examinations.

Shocked by the unexpected deterioration in his condition, anxious Brazilians watched on television as the president was carried from his aircraft on a stretcher with a sheet over his face.

An official statement said he was suffering from bleeding in his lower intestines after an abdominal operation. His illness had originally been diagnosed as diverticulitis – an inflammation of the intestines – but the first operation is now suspected to have been to remove a tumour.

After attempts yesterday to stem the bleeding the medical team attending the president decided they had to operate again.

Around the hospital in the centre of São Paulo, a small crowd gathered respectfully, anxiously waiting for news.

In the absence of any hard news about the president's condition, fears over the political direction the country may take have been rife. The possibility of fresh intervention by the military, however, which handed over power less than two weeks ago, is universally discarded.

Loyalty by the new service chiefs and other top officers appointed by Sr Neves to himself and to a constitutional resolution of the crisis is believed to be solid.

There have been no public signs of military anxiety over the unexpectedly dramatic events of the past two weeks. But a combination of prolonged political uncertainty and public disorder would be the worst possible set of circumstances for the generals.

Crisis looms in Brazil, Page 4

Britain may drop De Lorean suit against Arthur Andersen

BY LIONEL BARBER IN LONDON

THE UK Government is considering dropping its $270m lawsuit against Arthur Andersen and Company – the world's biggest accountancy group – arising from alleged negligence in auditing the accounts of the collapsed De Lorean sports car company in Belfast.

Several government departments are understood to hold strong doubts about the decision to use punitive U.S. anti-corruption laws to attack Arthur Andersen.

One factor is concern that it conflicts with general government opposition to the use of U.S. laws against British companies over incidents which took place outside the U.S. Calling off the legal action, set in train by the Northern Ireland Department of Economic Development last January, would represent a big climbdown for the Government, but it is one of several options now being debated in Whitehall.

The suit, which alleges that Arthur Andersen practised public accounting functions "fraudulently and with gross incompetency" while auditing De Lorean's accounts, is brought under the American Racketeer Influenced and Corrupt Organisations (Rico) Act now being used successfully against the Mafia in the U.S. Arthur Andersen strongly denies the allegations.

The Northern Ireland Department filed the $270m treble and punitive damages suit in New York and issued protective writs (not yet served) in London and Belfast on the advice of the New York lawyers Alexander and Green and the UK Treasury Solicitor. There was, however, apparently no widespread consultation with other government departments which have subsequently expressed concern about the implications of the action.

Within days of the announcement of the writs by the Northern Ireland Department, the Belfast liquidators to De Lorean, Pannell, Kerr, Forster, issued its own writ claiming £90m ($105.3m) damages from Arthur Andersen to cover the preferred creditor, the UK Government, and unsecured creditors. Last August, the American trustee in bankruptcy, the equivalent of the liquidator, issued its own writ against the U.S. holding company, De Lorean Motor Cars.

Whitehall legal opinion is keenly divided on the merits of the action. There is a strong feeling within the Northern Ireland Department that the threat of punitive damages will force Arthur Andersen to offer a settlement out of court which may go some way to recovering the £77m of public money lost as a result of the De Lorean venture in Belfast. The department has been severely criticised for its handling

Continued on Page 18

CONTENTS

EUROPEAN NEWS

Portugal takes up hard line on EEC entry

BY QUENTIN PEEL IN BRUSSELS

NEGOTIATIONS on enlargement of the EEC resume today with Portugal suddenly assuming the role of hard bargainer, after five days of top-level talks last week resolved virtually all the outstanding issues with Spain.

Officials of the European Commission and from Italy, current president of the EEC Council of Ministers, were yesterday putting together a financial package intended to answer Portugal's concern over the membership terms on offer.

The plans would provide for partial reimbursement of Portugal's payments into the Community budget over the transitional period of seven years, amounting to perhaps as much as Ecu 1bn (£600m). They would ensure that the new member would be a net beneficiary from EEC funds virtually from the intended first day of membership, January 1 1986.

Sig Giulio Andreotti, the Italian Foreign Minister, said yesterday that he believed "all the elements" exist for a successful conclusion tomorrow of the entry of Spain and Portugal into the EEC, writes James Buxton in Rome. He said he would be spending today in a last round of meetings with his Spanish, Portuguese and French opposite numbers.

M Jacques Delors, president of the European Commission and former French finance minister, also said that an agreement was close, writes Paul Betts in Paris. After talks yesterday with President Francois Mitterrand, he said the Community was only "inches" away from an accord.

Portugal's hard line on membership terms emerged towards the end of last weke's marathon meeting of foreign ministers, just as a deal with Spain appeared almost certain.

Although France in particular raised sticking points on Spanish membership on details of how many trawlers would be allowed into EEC waters, and how much Spanish wine should benefit from Community cash, officials in Brussels do not believe Paris will maintain a rigid line on those questions.

Indeed, there is some suspicion that M Roland Dumas, the French Foreign Minister, deliberately held up the talks when it became clear that the negotiations with Portugal were falling behind, to ensure that both deals would be finalised together.

The financial problem with Lisbon concerns the payments underpinning the entire membership deal. According to a theoretical forecast by the Commission, it would receive reimbursement of part of its cash contributions for only one year after accession, in order to remain neutral in net receipts. The same calculation allows Spain six years of reimbursement.

All the member-states and the Commission seem to accept a general principle that Portugal should be a net beneficiary because of its low level of economic development. The aim now is to come up with figures for reimbursement which would ensure that, while remaining within the EEC budget limits.

Officials consider that the outcome is likely to be similar to that proposed for Spain, with 85 per cent of VAT-based payments reimbursed in the first year, reducing by 15 per cent each year to only 5 per cent in the sixth year.

In addition, Portugal still has problems over the level of tariffs to be imposed on key products, like tomato concentrate and sardines. Another difficulty is posed by Lisbon's determination to restrict the access of the Spanish fishing fleet to its own waters, but the Ten insist that must be resolved in bilateral negotiations.

The EEC foreign ministers return to Brussels tomorrow with the intention of finalising the terms with both Spain and Portugal before the EEC summit meeting begins on Friday afternoon. Today's talks involving the Italian presidency, the Commission and the two prospective members ,are intended to iron out thet most difficult issues in advance.

Steel subsidies plan tied to restructuring

BY PAUL CHEESERIGHT IN BRUSSELS

THE EUROPEAN Commission was last night trying to build a consensus of EEC industry ministers around a plan to allow governments to offer more subsidies to steel companies seeking to restructure their operations.

The difficulty for the Commission was to find a way of matching French and Italian demands for more subsidies with German insistence that new subsidies should be linked to capacity cuts beyond those which have already been agreed.

The Commission has been authorising subsidies to steel companies provided they are linked to capacity cuts and financial plans for the viability of a company after the end of this year, when all subsidies under existing agreements must stop.

Mr Peter Sutherland, the Commissioner in charge of competition policy, yesterday saw individual ministers before the industry ministers started a full-scale negotiating session.

His plan would permit more subsidies for this year only, provided the application for their authorisation was made within a certain period. Trying to take into account the German position, Mr Sutherland accepts there should be more capacity cuts, but not to the point where they would imperil future viability.

He was also thought to be trying to win acceptance for subsidies solely linked to financial restructuring — these could be held to 5 per cent of annual turnover.

France accepts the general notion that further subsidies should also be linked to capacity cuts, but other governments are concerned that the excise of imperilling future viability might be used as a way to keep in operation excess capacity.

Although the Community's 1980 steel capacity of 168m tonnes should be reduced to 135-140m tonnes by the end of this year, it is believed that this is still 20m tonnes too much for the market.

Mr Norman Lamont, the UK Minister of State for Industry, made clear that the UK is supporting the German line. He added that the two countries and Belgium are insisting that if more subsidies are to be granted, the process should be quite open, with an application for extra subsidies from one country available for inspection by the other nine.

THE COMPETITION COMMISSIONER TALKS TO PAUL CHEESERIGHT

Brussels takes aim at restrictive practices

THE EUROPEAN Commission is working on schemes to give companies exemption from the EEC competition laws when their joint activities will speed the transfer of technology.

The exemptions will cover know-how licences, copyrights and franchising. The Commission will be seeking to devise a legal framework in which companies with exclusive know-how can, at the same time, protect it and not inhibit competition.

"One of the great problems in competition policy is a lack of certainty about what is and what is not permitted by the Community," Mr Peter Sutherland, who last January became the commissioner in charge of competition policy, said in an interview.

Future Commission legislation on these lines would continue the process started by Mr Frans Andriessen, his predecessor. Under his auspices exemptions from the competition laws were devised for companies engaged in joint research and development, licensing agreements and specialised manufacturing arrangements.

The work Mr Sutherland is initiating puts his approach to competition policy into the mainstream of European thinking on the issue. Although a vigorous competition policy is necessary for the working of the free market, its application needs to be aligned with broader economic objectives.

"It is the clear intent of the Commission to identify competition as part of an economic whole," Mr Sutherland said. "What is needed are clear parameters applied firmly."

Mr Sutherland (38) is an Irish lawyer and close political associate of Dr Garret FitzGerald, the Prime Minister. His arrival at th eCommission with the competition portfolio from one of the less industrialised EEC countries gives him a degree of detachment from the corporate interests which mill around and influence the working of competition policy.

His main philosophy, which he will be developing further in a speech to be made in Brussels today, is that competition policy can be a force for economic growth by stripping away restrictive practices.

In this area, the Commission has powers of its own under the Treaty of Rome setting up the EEC. Mr Sutherland is prepared to consider legal action on individual cases, therefore, if the Council of Ministers does not move to enact a common policy on air and sea transport. The same approach will follow if the Council refuses to act on a proposal for merger controls which has been hanging around for 12 years.

Related to this, Mr Sutherland is seeking to draw up guidelines on the compatability of joint ventures with Article 85 of the Treaty. This article prohibits companies coming together to fix prices, share markets and so on. But, Mr Sutherland noted, "we're not taking the line that bringing the big together is bad."

The idea here is to create greater certainty. In the same way, Mr Sutherland believes that it is helpful for both governments and industry if there are codes to cover the conditions under which subsidies might be granted.

Although the general aim of the Commission is to see the competition rules applied right through the Community ecnoomy, there is the problem of enforcement in the courts. The efficiency of the European Court of Justices is reduced by the small number of judges and the fact that they have to handle more and more cases.

But, "for competition, speed is of the essence," commented Mr Sutherland. One way through the problem is to establish a lower tier court. This has emerged in suggestions for an administrative tribunal.

This sort of suggestion is to some extent backed by the Dooge Committee, set up by EEC leaders to examine the way towards closer union. Dooge suggested the Court should be relieved of its responsibility for judging disputes between officials and the EEC institutions.

And Mr Sutherland, like Mr Andriessen before him, would like to see national courts taking on more of the competition work, with cases going to the European Court only when all national remedies are exhausted.

● The Commission announced yesterday that it had intervened to stop the West German Government extending the monopoly of the Bundespost, the national post and telecommunications authority, to cordless telephones. It said, further, that it would examine very closely any attempts to extend state telecommunications monopolies to see whether they are compatible with the Treaty of Rome.

Farmers get tough in Spain

By David White in Madrid

A SPANISH farm lobby against the proposed terms of entry to the EEC has begun to form ahead of what is scheduled as Spain's final negotiating session in Brussels on Thursday.

Demonstrations—the first in Spain in protest against EEC arrangements — are being planned by the National Centre for Young Farmers (CNJA), Spanish equivalent of the militant French organisation of the same name, with backing from other groups.

Several farming and agro-industry associations staged a joint meeting on Monday at which they complained of a "sell-out" and a lack of information during the negotiations.

The first protest actions are thought likely to come from the dairy sector, which stands to be badly hit by EEC imports.

Sr Felipe Gonzalez de Canales (no connection to the Prime Minister), the CNJA secretary-general, said in a newspaper article yesterday that if entry conditions were the same as those mooted at the last Brussels meeting, then his organisation opposes Spain joining the Community.

Although Spanish farmers do not carry the same political weight as their French counterparts, the protest campaign marks an important departure in a sector which was always thought of as the main beneficiary of membership.

The head of the National Farming and Livestock confederation, Sr Jesus Portera, said EEC enlargement would bring advantages for Spanish export agriculture but that transition restrictions were such that "no other Community Nation has had to put up with."

It was inexplicable that these restrictions should include citrus fruit when production in the Ten was so small.

Hungarian shatters Communist illusions

By Leslie Colitt in Budapest

A LEADING Hungarian Communist official electrified delegates to the Hungarian Communist Party congress here yesterday by stating that present day "socialism" in Eastern Europe is rooted in "revolutionary illusions" and is in the process of changing.

Mr Ferenc Havasi, the politburo member responsible for the economy, said that Communists used to believe that Socialism meant an "even economic development" and a steady rise in the standard of living and that the Socialist countries were "immune" from the effects of the political and economic "crises of capitalism." He called this a concept "rooted in generally well-intentioned revolutionary illusions."

Hungarian officials said later that such forth-right sentiments are rarely expressed at an East European party congress or indeed in public by a member of the leadership of a ruling East European party. They noted, however, that the speech was approved by Mr Janos Kadar, the Hungarian Communist leader.

Mr Havasi is believed to be the man whom the pro-reform majority in the Hungarian politburo want eventually to succeed the 73-year-old Mr Kadar.

Mr Romanov: lavish praise for Hungarian leader

While Hungarian and foreign delegates, including Mr Grigory Romanov, the leader of the Soviet delegation caught their collective breaths, Mr Havasi continued to smash decades of accumulated taboos.

He said Communists used to assume that with the advance of socialism, "national frontiers" and the issue of "national minorities" would lose their significance. His remarks follow a fierce exchange of accusations between Hungary and Romania on the situation of some 2m Hungarians in Romania whom many in Hungary claim are persecuted.

"We used to believe," Mr Havasi said, "that the generations growing up under Socialism would not be infected by nationalism, anti-semitism, a petty bourgeois outlook, nor be influenced by religion and bourgeois ideas." This, he implied, was far from the case.

Mr Havasi went on to say that the Soviet leadership also realised that the "perfection of advanced socialism" required a long historical period and that the Communist countries were only at the "beginning of this era."

"Not even under Socialist conditions" could the inherent laws of production be "excluded or ignored," he said. Prices could not differ from values without serious consequences. The failure to satisfy demand over a long period of time led to "economic, political and even ideological distortions."

Earlier yesterday Mr Romanov made a speech urging the Comecon countries to "strengthen economic independence" from the West, while adding that Moscow was for "businesslike" relations with Western countries. He praised Mr Kadar lavishly and avowed that the Soviet Union, too, was introducing economic reforms while retaining "planned management and strengthening Socialist ownership."

Both sides play down shooting

BY REGINALD DALE IN WASHINGTON AND PATRICK COCKBURN IN MOSCOW

THE REAGAN administration, though still angry over Monday's shooting by a Soviet guard of Major Arthur Nicholson of the U.S. liaision mission in East Germany was yesterday treating it as an isolated incident that should not damage prospects for an overall improvement in superpower relations.

While denouncing the "murder" as unjustified under any circumstances, U.S. officials said that responsibility might lie with a "trigger-happy" Soviet soldier. Mr Robert McFarlane, the National Security Adviser, said that "error or mistaken identity" were among the possible causes under investigation.

Washington is not hesitating to use the incident as another example of what the U.S. sees as natural Soviet disposition to "shoot first and ask questions later," like the shooting down of the South Korean airliner in September, 1983. The U.S. reaction to this incident has been much less strident, however, with President Ronald Reagan quick to state that it only made an early U.S.-Soviet summit more desirable.

U.S. officials also said that they did not believe that the shooting of Major Nicholson indicated that Moscow wanted to abandon the ground rules under which the two sides have monitored each other's military activities in Germany since 1947.

The official Soviet newsagency Tass said yesterday that Major Nicholson had been shot dead by a Soviet guard while taking pictures in a restricted military area. The Tass statement said that a sentry saw a stranger wearing camouflage clothes, who had "secretly" opened the window of a storage depot to take photographs.

The guard "demanded in Russian and German that the stranger stop," and when he failed to do so, fired a warning shot. When Major Nicholson still did not stop, he was shot dead said Tass. His driver was arrested.

Tass conceded that "the tragic outcome of what happened on March 24 is regrettable," indicating that Moscow does not want the incident to have wider diplomatic repercussions. It said, however, that the entire responsibility for it lay fully on the American side, "which is now circulating a deliberately false version of what happened."

The Soviet embassy in Washington has protested over intelligence activities by members of the U.S. military liaison mission in East Gearmany.

How Military Missions operate

Licensed espionage in enemy territory

BY PETER BRUCE IN BONN

A WEEK ago, U.S. army troops stationed in West Germany are believed to have caught three Soviet soldiers trying to photograph a U.S. military installation in Munich. Given the complete absence of outrage on either side, it seems safe to presume they are still alive, and probably once again at large.

Last Sunday, the Soviet military claim they caught a U.S. major trying to photograph sensitive Warsaw Pact equipment near Ludwigslust in East Germany, about 150 km north-west of Berlin. Major Arthur Nicholson who, the Soviet side say, tried to escape, was shot in the chest and killed.

The major's death, which has sparked off a potentially dangerous diplomatic row just as the super powers resume arms talks in Geneva, has also cast some light on the normally shadowy existence of elite American, British, French and Soviet Military Liaison Missions, innocently named, but whose members indulge in what amounts to licensed espionage in enemy territory.

Just after the end of the Second World War, the four powers occupying Germany agreed that each Allied commander-in-chief would have attached to him representatives of the three other powers for liaison duties. What this means, in practice, is that Britain, France and the U.S. have military missions accredited to the Soviet command in East Germany and the Russians, in return, have been able to station men at the headquarters of the Western commanders in West Germany.

The Russians have small teams based with the Americans, in Frankfurt, in Baden-Baden with the French, and in tiny Bünde, on the unfinished autobahn leading east from Osnabrück, with the British Army of the Rhine (BAOR).

Maj Nicholson was based in Potsdam, just outside Berlin, at the U.S. military mission attached to the Soviet commander. The British and the French have missions in villas nearby.

On the face of it, establishing the missions was routine, and they were probably initially designed to help keep an eye on the defeated Grmans. Even today, the agreement between the Russian and British commanders, signed in 1946, means that the 20 Russian soldiers and their families in Bunde are comfortably billited in British officers' married quarters.

The buildings are maintained by the British, who also feed their Russian guests and provide them with medical treatment. The Soviet soldiers with the U.S. forces in Frankfurt are allowed to shop at the U.S. army post and are issued with ration cards to buy liquor, cigarettes and coffee.

The Americans and other Allies in Potsdam spend money in what the U.S. army calls a "small, austere Soviet military shop," and their hosts make a twice weekly delivery of food to the mission. "The quality of the Soviet food," says the U.S. army, "is quite good."

But if keeping an eye on the Germans was ever a *raison d'etre* for the Liaison Missions, it evidently did not take long before the Western allies and the Soviet Union began using them to keep an eye on each other.

The bilateral agreements setting up each liaison group allowed for completely free travel for the mission within the host commander's zone, except for agreed restricted areas. Today, every day, the Americans, British and French fan out all over East Germany, following military convoys, watching railway yards and the like, while the Russians do the same in the West.

The teams now gather what many observers believe to be some of the best military intelligence available. Maj Nicholson's fluent command of Russian is one mark of the quality of personnel, on both sides, but probably the most potent measure of the job is the air of secrecy with which they cloak their operations.

There is, it is understood, almost constant harassment of the Western missions

It is probably safe to assume, nevertheless, that had Maj Nicholson not been shot dead; if, for instance, the Soviet guard who killed him had fired at his feet as a warning, the incident would not have surfaced. The continued existence of the Liaison Missions implies a recognition of their value to both the Soviet Union and the West.

Just how valuable they might be to West Germany is marginally less obvious. As a reminder to West German soldiers that their country remains in a state of suspended occupation, the Soviet military stationed in this country often loiter close to West German installations. West German troops are under orders not to check them but to call the nearest British, American or French personnel to deal with them.

Belgrade wins concession from creditors

By David Buchan

YUGOSLAVIA HAS taken another step to settling its 1985 debt problems, with this week's concession from Western governments that they will spread over nine years repayment of 90 per cent of the $694m debt principal which Belgrade owes them this year.

The official debt rescheduling accord was initialled by Yugoslav and Western representatives in Paris on Monday, and will be finalised once Yugoslavia completes all the formalities of its 1984-85 standby arrangement with the International Monetary Fund. This is expected next month.

The same precondition applies to any rescheduling agreement with commercial bank creditors, which are due to start negotiations as with Yugoslav officials in New York on April 11.

Rogers cuts in N-arms unveiled

By Bridget Bloom, Defence Correspondent, in Luxembourg

NATO'S STOCK of battlefield nuclear weapons will be reduced by more than a quarter over the next three years if defence ministers approve detailed plans unveiled to them here yesterday by Gen Bernard Rogers, the Supreme Allied Commander in Europe.

His plan, the result of five years' study, recommends that the 6,000-strong stockpile of short-range nuclear weapons should be reduced by slightly more than 1,400 by the end of 1988. It also recommends that at least one category of the oldest weapons—the atomic demolition or nuclear land mine—be withdrawn entirely.

The recommendations, partially revealed at a news conference yesterday, came as a surprise in that the reductions appear to be lower than those decreed by defence ministers months ago. Gen Rogers recently criticised that decision as a "high risk" policy.

The general is said to have reported to the ministers that the existing weapons, ranging from nuclear artillery shells to short-range rockets, are currently "mal-deployed" with some countries having too many and others too few.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $420.00 per annum. Second class postage paid at New York NY and at additional mailing offices. POSTMASTER: send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Danish coalition thrashes out wage measures to end strike

BY HILARY BARNES IN COPENHAGEN

DENMARK'S coalition Government worked throughout yesterday to complete the statutory incomes policy measures it plans to introduce in order to end the strike and lockout of 300,000 private-sector workers which began on Sunday.

Communist shop stewards and their left-wing sympathisers, meanwhile, have begun mobilising support for continuing the strike.

Mr Poul Schlueter, the Prime Minister, and leading members of his four-party minority administration, spent six hours in talks on Monday evening with the centrist Radical Party, on which it depends for a parliamentary majority. They met them again yesterday evening to try to thrash out the details of a settlement.

The measures, which will probably be announced today, are expected to be rushed through Parliament at the weekend.

For the second day bond and share prices on the Copenhagen Stock Exchange strengthened yesterday in expectation of a swift settlement, and unconfirmed reports that the settlement will offset a general increase in hourly wages of about 2 per cent with a similar cut in payroll taxes in order to maintain the export competitiveness of Danish industry.

The great majority of workers are expected to obey the Government's call to return to work.

The conflict, the result of a failure by the LO union federation and the employers' association to agree a new two-year collective wage deal, has paralysed most of Danish manufacturing industry, the docks, shipping, and internal domestic air transport.

The union movement is dominated by the opposition Social Democratic Party, which does not oppose in principle a satutory settlement. But in some unions the Communists and their sympathisers are able to cause considerable trouble. Left-wing shop stewards will be meeting here today to draw up a strategy for continuing the struggle.

Editorial Comment, Page 16

Making boundaries matter less to the Germans

Nicholas Colchester analyses an aspect of discussions at this year's Koenigswinter Conference—the perpetual question about relations between the two German states

EVERY YEAR politicians, businessmen, civil servants and journalists from Britain and West Germany come together for the Koenigswinter Conference. When the general theme of last weekend's meeting—"Warning signs today, conflagrations tomorrow?"—was combined with the intelligence that the Germans themselves had put the German Question on the agenda, it seemed to promise a select preview of a possible foreign affairs epic of the next decade—a move to re-unite Germany to the discomfiture of the Western Alliance and the fury of the Soviet Union.

For some time alarmists had been citing clues that something deep and dangerous might be afoot in West Germany. There was the Green movement and its rejection of so many of the attitudes and policies that West Germany had shared with western Europe and the U.S. since the war.

There was the attempt by a conservative West German Government to develop closer links with the Communist East German regime. There was Chancellor Kohl and his emphasis on the German people and their fatherland. There was the mere fact of debate about the future of Silesia—a former German territory now part of Poland—however much the West German Government might distance itself from such speculation.

Yet by the end of a day's debate the dangers had all but evaporated. The message from the majority of Germans present was that most of their countrymen wanted "no experiments." They wanted West Germany to stay firmly grounded in Nato and in Europe and to chip away, not at the existence of the frontier between the two Germanies, or of the more distant one with Poland, but at the impact of these frontiers on German lives.

Deutschlandpolitik, as the approach to the German question is called, was not a policy of reunification but a policy to cope with a lengthy prospect of non-reunification. Indeed the more firmly West Germany demonstrated its commitment to Nato and the EEC, the more, paradoxically, it could do to promote movement of Germans across the Iron Curtain.

The more zealous among the British thought there surely must be more to it than that. What did the Germans really want? What was their long-term plan?

There were a few radical German suggestions. A Green wanted a demilitarised zone embracing the two Germanies. An academic warned that unless democratic West Germany made the running towards re-unification, Communist East Germany would gain the intiative. But for every radical voice there was a matching conservative one. West Germany's youth was simply uninterested in re-unification.

The whole German Question was nostalgia dressed up in political polemics. Germany had always consisted of a people more widespread than its geographic boundaries, just as Britain had always consisted of boundaries wider than any of its component peoples. The object of the exercise was not to change those German boundaries, simply to make them as unimportant as the border between Germany and Austria.

At the end of the conference this particular conflagration seemed much remoter than it had at the beginning. But a whiff of something smouldering remained. The future of the German people is clearly a more likely political issue in West Germany than it was 10 years ago.

Why, I asked a Christian Democrat historian, had the words "in divided Germany" been added this year to the title of Chancellor Kohl's state of the nation speech? He answered that the Government had to react to a prevailing sentiment, the better to contain it. The Government could not offer "nothing but the prospect of more hamburger society."

The "revanchism" feared by the Soviet Union does not exist in today's West Germany. But the countries of Nato and the European Community perhaps need to be a little less complacent in taking West Germany's perpetual loyalty to these institutions for granted. West Germans look East as well as West and, in the words of one German at Koenigswinter: "Germany's Ostpolitik must not be watched with folded arms in the West, but supported as something being done on the West's behalf."

WHITES TOLD TO AVOID TOWNSHIPS

S. Africa rounds up protesters

BY ANTHONY ROBINSON IN CAPE TOWN AND JIM JONES IN JOHANNESBURG

SOUTH AFRICAN police yesterday arrested black church leaders and more than 200 demonstrators who were marching on Parliament in Cape Town to present a petition to President P. W. Botha.

The petition expressed solidarity with the dead victims of recent rioting in the Eastern Cape and called on the Government to negotiate with representative black leaders. It also asserted that the official account of the police shootings which killed 19 people on the 25th anniversary of the Sharpeville massacre last Thursday was not true.

At the same time, whites throughout the country were advised yesterday to stay out of black townships. They were urged by the authorities to seek police advice and assistance before travelling through the townships.

The Cape Town demonstrators set off from a Methodist church half a mile from Parliament after a memorial service for the dead addressed by church leaders from the Eastern Cape. A black Anglican priest, the Rev Mxolisi Daba told the packed congregation, "God says to South Africa here and now, stop killing people, stop killing our children. The system of government under which we live has to be challenged and wiped out."

The protest march was led by the Rev Alan Boesak, a leading patron of the United Democratic Front. Police waited until the demonstrators reached the Parade Ground, a large open space in front of the Town Hall, before stopping the march and arresting Rev Boesak and 238 other demonstrators who sat down when the demonstration was stopped.

A police inspector said they would be held overnight and charged with taking part in an illegal gathering under a section of the internal security laws which prohibit demonstrations within the proximity of Parliament.

Meanwhile Mr Louis le Grange, the Minister of Law and Order yesterday flew in a helicopter over Kwanobuhle and Langa townships the scene of last week's police shootings and violence before returning to Cape Town to take part in a heated debate on the incidents in Parliament.

Sporadic incidents of violence continued throughout the country yesterday as public debate on the causes of past weeks' deaths grew increasingly vociferous. In Cape Town on Monday the white opposition Progressive Federal Party (PFP) issued a comprehensive report on last Thursday's shootings in Uitenhage, which differs sharply from the official version.

The report was compiled from affidavits taken by a team of PFP parliamentarians, which visited the area immediately the shootings last Thursday. According to the PFP report, the funeral procession which was fired upon by police was peaceful, and its participants were not armed with sticks, spears or petrol bombs, as alleged by the police.

It said that no evidence could be found to corroborate police allegations that the crowd was fired upon only in self-defence after an armoured police vehicle had been surrounded.

Philippines credit delayed

BY ALEXANDER NICOLL

A DECISION from the International Monetary Fund (IMF) on disbursement of the second tranche of a SDR 615m (£510m) standby facility, for the Philippines agreed last December is expected to be delayed until the second half of April.

An IMF mission has just returned from Manila and will report to the Fund's executive board on whether the Philippines is meeting the economic performance criteria upon which the loan was conditional.

As it approaches a decision on the second SDR 85m tranche—the first was paid as soon as the agreement was signed—the Fund will be closely watching discussions on a planned $925m loan from the country's creditor banks. This has been held up by the National Commercial Bank of Saudi Arabia, which has refused to put up its $12m share.

Iraqis hit Gulf tanker and raid three cities

By Our Middle East Staff

IRAQ KEPT up its military pressure on Iran yesterday attacking shipping in the Gulf and launching further air raids on Iranian cities. An editorial in Baghdad's largest circulation newspaper pledged that Iraq would expand the war to "every corner of Iran" if Tehran did not agree to a comprehensive peace.

The newspaper added: "We will give these evil people a last chance, either to take advantage of a peaceful solution, or Iran will face nothing but death and destruction."

Iranian newspapers responded by warning that Tehran might take the battle to Arab ports in the Gulf which had been used as Iraqi supply centres.

The Panamanian-registered bulk carrier Cape Gwadar, 14,650 gross tons, was hit yesterday by a missile 54 miles north-east of the Saudi Arabian port of Jubail. Lloyd's of London reported that the vessel was set on fire and a large hole had been punched in its starboard side.

Iraq reported yesterday that its aircraft had hit "two large naval vessels" south of Kharg Island, Iran's main oil terminal. However, the Cape Gwader's last port of call had been Kuwait, suggesting that the Iraqis may have attacked a vessel from a friendly nation.

A further statement from Baghdad said that its aircraft had also attacked Tehran, the Iranian capital, Kermanshah and Hamadan.

The Iranian news agency confirmed the attack on Tehran and claimed that several houses and a mosque had been damaged in the south of the city. Nine people were said to have been killed.

In Washington, Mr George Shultz, the U.S. Secretary of State, held talks with Mr Tariq Aziz, Iraq's Foreign Minister, on the latest upsurge in the Gulf war. A State Department spokesman said that Mr Shultz also saw the meeting as an opportunity to express "the absolutely firm opposition of the U.S. to the use of chemical weapons in violation of international conventions wherever and whenever such use may occur."

Colina MacDougall reports on the problems facing China's annual assembly

Ominous signs as People's Congress gathers

CHINA'S National People's Congress opens in Peking today amid ominous signs of economic problems and a political row over how far senior leader Deng Xiaoping's liberal reforms are responsible.

Among the problems thrown up by the hectic pace of economic growth and Deng's reforms are corruption, waste, embezzlement, inflation and hints of overheating the economy.

While Congress, thet annual assembly of representatives from all over China, is little more than a rubber stamp, Premier Zhao Ziyang's report on government work and Finance Minister Wang Bingqian's budget are both likely to shed light on the difficulties and policy disputes facing the Government.

Last week's reshuffle of senior officials following weeks of press reports of corruption was an indication of how seriously the leadership views the situation. It followed a warning speech last month from respected leader Bo Yibo which attacked party and government workers for illegally making money out of China's economic liberalisation.

This clampdown on crime is accompanied by a growing attack on "vulgar" literature. The Peking Workers' Daily 10 days ago launched a diatribe against "spiritual pollution," evoking the campaign waged last year against Western influences which alarmed both Chinese liberals and foreign businessmen.

The main proponent of the campaign against spiritual pollution, party propaganda chief Deng Liqun, reappeared on Monday after months out of sight, telling visiting U.S. journalists that tighter control of the economy was scheduled. This was seen as a sign that the power of the hard-liners is growing once more.

Besides giving party managers the chance to run big businesses and salt away huge tax free profits, the reforms have also become the victims of their own success. Production is booming as never before, but unevenly. In consequence, capital investment, money in circulation and inflation are booming too.

On the credit side, output value of industry and agriculture were both up last year by about 14 per cent, the State Statistical Bureau's report on 1984 revealed earlier this month. Unofficial Chinese reports say they rose another 20 per cent in January and February 1985.

But much of this increase was totally unforeseen. National income and total output value were scheduled to rise last year by only 4 to 5 per cent. Investments in fixed assets was above the planned figure by nearly a quarter. These overruns meant huge overstocking of some products, excessive demands for others and great strain on the transport system.

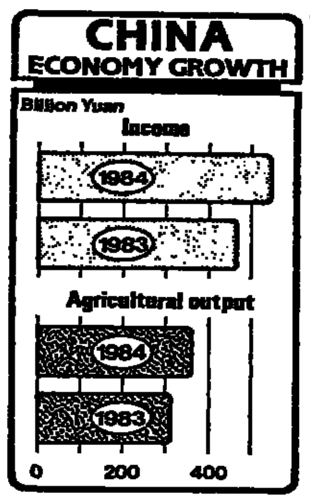
Deng's agricultural reforms, successful though they are have proved enormously expensive for the state which buys from the farmer at high prices and sells to the townsfolk at the old, lower rate.

Under the new reforms China's loosening of state control is in theory to be replaced by financial and tax levels, but the banking system is not strong enough to control expenditure and tax evasion. Disclosures that the now-dismissed Auditor-General, Yu Mingtao, was responsible for a loss of some $1.67bn (£1.42bn) last year through "irregularities" reveal the scale of losses.

Peking's encouragement to get rich has boosted the black market, with officials cornering the market in scarce goods and immediately reselling them at much higher prices. The Government at all levels has been urged to stop this and similar abuses, but without a resumption of state-dominated commerce it is difficult to see how control can be maintained.

Perhaps the most alarming factor on the present scene is the rise in prices, which in some cases has reached 50 per cent. The official 1984 inflation figure was just below 3 per cent, rising to 4 per cent by the end of the year, but the State Statistical Bureau conceded that on some items it was far higher. This was the direct consequence of the last round of reforms, when many items were freed from control in October to stimulate a more market-oriented economy.

Since the market economy is the lynchpin of Deng's planned reforms, he is unlikely to want to re-introduce controls, though he may be forced to do so. With controversy raging over both reform and cultural freedoms, this should be a Congress to remember.



CHINA AND South Korea have reached an amicable settlement over last weekend's incident in which a Chinese torpedo boat on a training exercise drifted into South Korean waters after an attempted mutiny killed six and wounded two members of the crew, Steven B. Butler, reports from Seoul.

The South Korean Government has accepted China's formal apology for a violation of Korea's territorial waters on Saturday when China sent naval vessels in search of the lost boat, and says it will return boat and crew today in the Yellow Sea, half way between the two countries.

The rapid settlement of the incident underscores the improvement in relations that has taken place between the two countries over the past two years, after they had reached agreement on the return of a hi-jacked airliner and its crew to China. The countries still do not formally recognise each other, but trade has grown rapidly and exchanges of athletes are increasing. Prominent Korean businessmen are known to have visited China recently.

Neither country has sought to publicise the relationship for fear of offending Taiwan, in the case of South Korea, or North Korea, in the case of China. North Korea is clearly more of a stumbling block because of its importance to China's security.

Peres hints at speeded up withdrawal from Lebanon

BY TONY WALKER IN TEL AVIV

MR SHIMON PERES, Israel's Prime Minister, indicated yesterday that the Israeli withdrawal from South Lebanon would be over much sooner than originally planned.

Senior government spokesmen are saying privately that Israel could be out of Lebanon by the middle of May, well ahead of the September deadline.

Mr Peres said yesterday on a visit to a town in northern Israel: "We will perhaps get out of Lebanon much faster than people think."

Opposition within Israel's Cabinet to a speedy pull-out is weakening as the disastrous consequences of the Israeli invasion and occupation of Lebanon are underscored by the almost daily attacks on the occupying forces and adverse international publicity attracted by Israel's retaliatory "iron fist" policy.

Under Israel's three-stage wtihdrawal plan it was proposed that in stage one Israeli troops would pull back to the Litani River, then would follow the troops facing the Syrians in the eastern Beka'a Valley leading to a complete withdrawal to Israel's international border.

Mr Peres now appears to be suggesting that stages two and three would be telescoped together.

IMF 'upbeat' on Israel

ISRAEL'S Finance Minister, Mr Yitzhak Modai, said yesterday the International Monetary Fund's (IMF) preliminary annual report on Israel was more upbeat than in previous years despite its call for steeper budget cuts, Reuter reports from Tel Aviv.

"In general terms, I can say that it was the first time for years that we received a 'just passing' mark," Mr Modai told Armed Forces Radio. "In the past, we always flunked."

The report, submitted to the Bank of Israel last week, said the Government, battling 400 per cent annual inflation, must nearly double its $1.1bn cut from the $23bn budget for 1985-86.

Cash bid interest claimed for Australian oil search

BY MICHAEL THOMPSON-NOEL IN PERTH

AUSTRALIA'S Minister for Resources and Energy, Sen Gareth Evans, claimed yesterday that a number of foreign oil companies with no previous experience in Australia had expressed interest in competing in cash bidding auctions for potentially lucrative Australian offshore oil exploration permits.

He claimed that cash bidding—due to be introduced shortly for five potentially lucrative blocs of the Timor Sea, off Northern Australia—would not divert funds away from exploration, but might add substantially to the investments available by drawing in newcomers.

Sen Evans, who is new to his portfolio, was addressing the annual conference of the Australian Petroleum Exploration Association in Perth — his first major appearance at a resources industry forum.

In contrast, Sir James Balderstone, chairman of Broken Hill Proprietary (BHP), Australia's largest company and a major oil producer, summarised industry opposition to cash auctions by claiming that they epitomised government greed for revenue.

Cash bidding for choice offshore acreages is due to replace the current "work programme" system, seen by the Government as inflexible and inefficient.

Baker sees continued economic expansion

MR JAMES BAKER, the U.S Treasury Secretary, said yesterday that there was every reason to believe that the U.S. economic expansion would continue, Reuter reports from Washington.

Mr Baker, testifying before the House of Representatives appropriations subcommittee on the Treasury, said the economy was "quite sound," provided Congress agreed to the deficit reductions sought by President Ronald Reagan.

Mr Baker said he was not particularly concerned about the 2.1 per cent "flash" estimate of first-quarter 1985 gross national product, which some analysts had viewed as a slowdown in economic growth. He said the estimate had varied almost 2 per cent in every quarter of 1984.

Mr Baker said economic expansion could continue, "provided we see deficit reduction in the neighbourhood of $50bn... (and) provided we see monetary policy continue its present course."

Mr Baker called tax reform "one of the priority goals of the President," and said that he was continuing to talk to all congressional parties involved in the development of a tax reform package.

The administration is to present its legislation to Congress in May, but Mr Baker did not elaborate on any changes in the Treasury proposal made during conversations with congressional leaders in the last weeks.

Unctad told to 'confront reality'

THE U.S. has warned that the UN Conference on Trade and Development (Unctad), the world's main forum for North-South discussions, risks becoming a "museum for concepts and assumptions" lost in political rhetoric and inaction, AP reports from Geneva.

"Unctad must confront the reality of development," Mr Kauzlarich, deputy assistant secretary of state for international economic and social affairs, told a meeting of Unctad's governing body.

Andrew Whitley reports on the difficult political situation facing Brazil as its president-elect lies critically ill

Crisis looms over Neves illness

THE SUDDEN deterioration in President Tancredo Neves' medical condition — making it increasingly likely that, at best, he will be incapacitated for some time to come and, at worst, may never assume the presidency—puts Brazil in a very difficult political situation.

Constitutionally, authority rests with Vice-President Sr Jose Sarney, 54, who was sworn into office 12 days ago in the President's absence. Under the accepted line of succession he would normally be expected to step up.

In practice, however, it is highly unlikely that acting president Sr Sarney, a lightweight politician who was a faithful servant of the just-ended military regime of the past two decades, would be permitted to take over on a permanent basis.

Sr Sarney was chosen by Sr Neves as his running mate for the January indirect elections solely to balance his ticket as the candidate of the heterogeneous Democratic Alliance. The former government politicians who participated in the opposition alliance put Sr Sarney forward as their candidate for the state.

Next in line to succeed, if the constitution is followed faithfully, Sr Ulysses Gumaraes, president of the Chamber of Deputies, the Lower House of Congress, and president of the Brazilian Democratic Movement Party (UMBD) the largest party in the country and one with a vocal left-wing.

Here again, practical political problems arise. Sr Guimaraes, himself a left-winger and ardent opponent of the old military regime, is anathema to the country's business and financial community. It is also hard to imagine the military permitting the succession, so soon after their own departure from centre stage, of a politician they had constantly fought.

Nor are fresh elections a viable possibility in the near future. President Neves won by means of the military-created and highly unpopular electoral college on the basis of a promise that, if elected, these would be the last such elections to be held in Brazil.

The then opposition candidate won public backing for his presidential bid only because of his pledge that he was participating in the artificially contrived electoral procedure "so as to explode it from the inside." His own candidacy had, in turn, resulted from the failure of last year's massive campaign for direct presidential elections.

But to hold direct elections will require a change in the constitution. That would take some considerable time—and time is one thing Brazil does not have.

Congressional committees are already at work examining changes in electoral law, permitting the reorganisation of the present, highly controlled party structure and preparing the way for a constituent assembly next year. This was expected to restore direct elections for President Neves's successor, possibly in 1988.

What makes the political outlook so bleak, if the 75-year-old President does not recover, is the universal recognition in Brazil that he is the only figure of any stature capable of binding up old wounds and reconciling the deeply antagonistic political forces in the country.

While assuring the public immediately that Brazil has changed as a result of this month's handover of power by the military to a civilian government—and thus that democratic practice will be observed during this crisis—no Brazilian politician is yet prepared to contemplate openly the prospect of being without Sr Neves.

As Senator Fernando Henrique Cardoso, the government leader in Congress, said yesterday after one of a series of urgent meetings in Brasilia of political leaders and Congressional office holders: "The greatest symbol today (of this change) is Tancredo Neves."

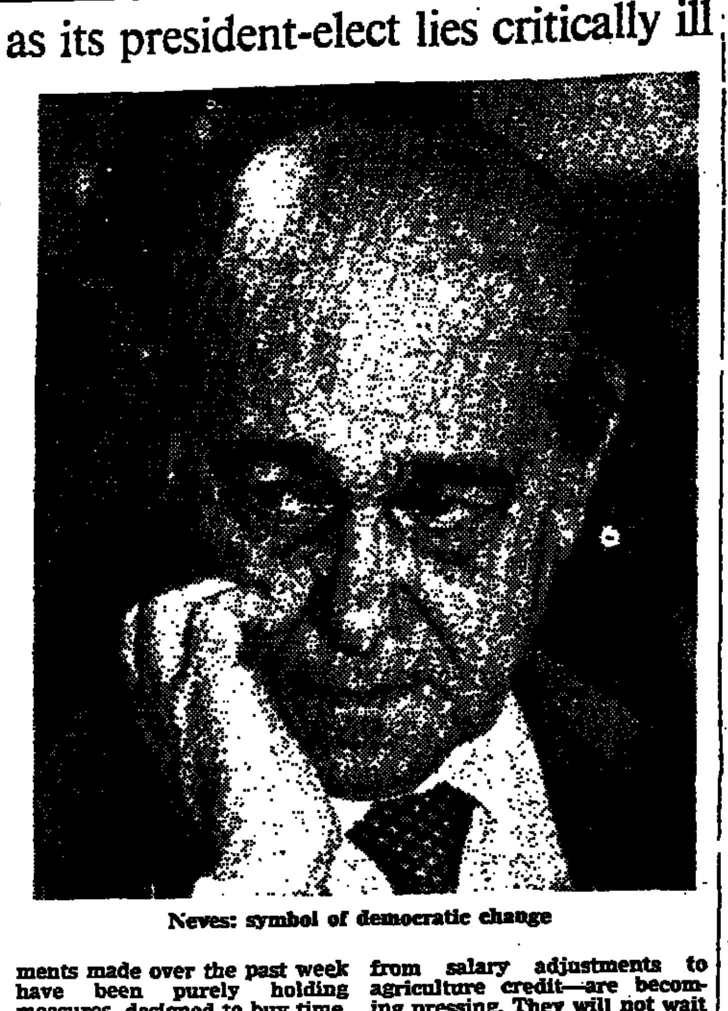
Within a political climate fraught with uncertainties, the economic consequences of a lengthy period of political turmoil in Brazil could be grave.

Technically in default with its foreign creditors—as a result of the suspension by the International Monetary Fund in January of its Brazilian loans, pending fresh negotiations with the incoming administration for an austerity programme—the Neves Government has only until the end of May to reach agreement with the IMF and the banks.

This date marks the deadline set by the bank creditors' advisory committee, which twice already has had to extend temporarily the debt renegotiation terms which expired at the end of 1984.

After growing solidly by 4.5 per cent last year on the back of an export boom, the Brazilian economy has recently shown signs of slowing down. The 1985 export target of $28bn (£23.93bn) in particular, looks increasingly difficult to achieve. Most businessmen are anxious to see what changes the new Government will herald.

The first economic announcements made over the past week have been purely holding measures, designed to buy time. But far reaching decisions on a wide range of policy areas — from salary adjustments to agriculture credit—are becoming pressing. They will not wait until the political situation clears up.



Neves: symbol of democratic change

Increase in IMF loan costs sought

By Nancy Dunne in Washington

THE U.S. intends to press for further increases in interest rates charged by the International Monetary Fund to bring the cost of IMF loans closer to market levels and to improve the fund's reserves, according to a report sent by the U.S. Treasury to Congress.

"There is no persuasive case for the extension of IMF credit at below market rates," the Treasury said.

The basic rate charged debtor countries was recently increased from 6.6 per cent to 7 per cent. The Fund has taken other steps to increase its charges.

But the U.S. wants further rises to protect the Fund's "own financial integrity, as well as to provide adequate remuneration to the creditor countries upon which its financial operations depend."

With the exception of the interest rate question, the Treasury report had few complaints about IMF policy. It rejected proposals to return to managed currency exchange rates, asserting that the current floating system has worked well in a "turbulent global economic environment," in facilitating adjustment, trade and investment.

Proposals for IMF private market borrowing were rebuffed as possibly having "an adverse impact on the co-operative international monetary character of the IMF and the ability of the U.S. to influence fund policy."

The IMF's role in containing the debt crisis has been "effective," said the Treasury, for it succeeded in promoting adjustment while minimising short-term losses in output and fostering a resumption of stronger economic growth.

The task before the international community is to insure that progress in resolving current debt problems is sustained and similar problems are avoided in the future.

The Fund's current resources, augmented by the 1983 quota increase, are adequate for the adjustment job remaining, the Treasury said.

The U.S. will not support the creation of any new, supplemental financing facilities, which the Treasury acknowledges would be difficult to fund considering "the severe resource constraints faced by most member governments."

Argentine bridging loan likely to be delayed

BY PETER MONTAGNON IN VIENNA

ARGENTINA will need at least until the end of April before it can arrange bridging finance from other Latin American governments to help pay interest on its foreign debt, Sr Mario Brodersohn, chief debt negotiator, said here yesterday.

His statement dashes hopes in the banking community that finance from Mexico and other governments might have been made available this week so that interest arrears could be reduced before the end quarter profit reporting deadline for U.S. banks.

Sr Brodersohn said Argentina understands that bridging finance will not be available until it has first reached agreement with the International Monetary Fund on new economic targets. Short-term finance might then help bridge the gap before drawing on the IMF can resume in July.

The U.S. yesterday called for tighter economic control over the use of scarce resources for development in debt-ridden Latin America, Reuter reports from Vienna. Mr David Mulford, Treasury Assistant Secretary, who is attending the annual conference of the Inter-American Development Bank, ruled out discussion of future funding for the bank until it tightened up its lending policies. He opposed suggestions that the bank should step up concessional lending for social development projects in the region's poorest countries.

Theoretically the finance could amount to $500m (£427m) which Argentina then expects to draw from the IMF "but we expect to get much less," Sr Brodersohn said. Interest arrears on Argentina's debt stretch back to November 4 and amount to $850m.

Sr Jesus Silva Herzog, Mexico's Finance Minister, yesterday told journalists attending the Inter-American Development Bank annual meeting here that his country would look positively on a bridging loan request "that would help to strengthen Latin American co-operation."

But careful discussion on security for the loan would be needed and it would be better if a number of countries participated.

Mr David Mulford, U.S. Assistant Treasury Secretary, meanwhile said his country would be reluctant to consider bridging finance even after targets are agreed with the IMF. This is because drawings on the IMF by Argentina would still be conditional on economic performance. "The bridge would not be firm," he said.

Separately Sr Silva Herzog said Mexico will start principal repayments of $950m to commercial bank creditors about two months after the first part of its $48.7bn rescheduling is signed on Friday.

The repayments agreed last September as part of the rescheduling deal will be made in instalments at the relevant interest rollover dates of the affected principal, he said.

David Gardner in Mexico adds: President Raul Alfonsin yesterday confirmed that one of the options being considered to resolve Argentina's foreign exchange shortage was an approach to other Latin American countries. He said no concrete negotiations had started.

Bhopal gas leak prompts chemical industry survey

THE POISON gas disaster that killed more than 2,000 people in Bhopal, India, has prompted a U.S. House of Representatives subcommittee to undertake what its chairman calls the first broad federal safety survey of the U.S. chemical industry, AP reports from Washington.

The survey has already produced preliminary data pointing to sizeable leaks of toxic chemicals at some plants in this country, staff members of the House Energy and Commerce Health Subcommittee said on Monday.

In remarks prepared for a hearing yesterday, Mr Henry Waxman, chairman, said his committee had to launch the survey of chemical plants in an effort to determine the extent of both unexpected releases and those occurring routinely during manufacturing.

"It's a said commentary that no other government agency has attempted to gather this information," Mr Waxman said. "All levels of government have abdicated their responsibility to regulate poison gases that leak into the air."

An aide to Mr Waxman, who spoke only on condition that he not be identified, said responses to the committee's survey vary in scope and quality, with some companies providing detailed information about leaks and others saying they did not have enough data to reply.

"At some plants, we have routine leaks at levels that other plants would consider a serious accident," the aide said.

The committee was to hear testimony from chemical industry executives including Mr Warren Anderson, chairman of Union Carbide, which last week announced the findings of its internal investigation of the Methyl isocyanate leak from the plant of a subsidiary in Bhopal last December.

WORLD TRADE

EEC-Efta scheme outlined

By Quentin Peel in Brussels

A FOUR-POINT plan to ease and expand trade between the EEC and the seven-nation European Free Trade Area (Efta) was outlined yesterday by Mr Willy de Clercq, the European Commissioner responsible for external trade.

Further measures, such as simplification of border controls and easier rules of origin, were needed to reinforce the free trade in manufactured goods between the two West European blocs, he told a group of EEC and Efta parliamentarians.

Mr de Clercq presented the measures as his own opinions, but promised a formal plan by the European Commission by the end of April. He called for:

- Simplification of frontier formalities, including the adoption of a single customs document such as that now approved for the Community;
- Simplification of rules of origin, including provision for assembled products containing parts from several Efta countries;
- Extension of free trade to include more processed agricultural products; and
- Harmonisation of technical standards, in line with the EEC plan for member states to recognise each others' standards rather than impose uniform Community rules.

Mr de Clercq told a joint meeting of members of the European Parliament and an Efta delegation that the EEC plans to complete its internal market should not result in greater barriers to its trade with the Efta seven.

He also suggested study of greater co-operation in the field of research.

West's trade deficit with Comecon continues to rise

BY DAVID BUCHAN IN LONDON

THE WEST'S trade deficit with Comecon countries continued to rise last year, to $5.3bn from $2.3bn in 1983, but it could diminish this year as Comecon countries, now in better financial shape, are expected to import more than last year.

This prediction emerges from the latest report for 1984-1985 of the Economic Commission for Europe (ECE), the Geneva-based United Nations organisation which has both Eastern and Western countries as members.

The study notes that for the first time in several years, 1984 saw a large rise in the volume, not just the value of trade, between the Soviet Union and its six fellow members of Comecon in Eastern Europe.

Despite last year's Comecon summit calls for increased integration, however, the ECE sees "no evidence of a turning away", by Comecon "from the markets of the rest of the world."

Western trade with Eastern Europe showed stronger growth than that with the Soviet Union. Rebounding from the 1980-82 slump, East European exports to the West increased, by volume, by 9 per cent in 1983 and 19 per cent in 1984.

Western exports increased slower by 6 per cent last year, after a cumulative 22 per cent volume decline in 1980-82, with higher deliveries consisting mainly of primary products, semi-manufactures and consumer goods.

Western trade expansion with the Soviet Union slackened in 1984, with Moscow buying 1 per cent in volume more last year and selling 3 per cent more to the West compared with 1983.

Energy fuels played the largest role in Western imports from the Soviet Union, with the West buying almost as much natural gas from the Soviet Union as oil and oil products.

Completion of the trans-Siberian pipeline depressed Soviet demand for Western semi-manufactures, particularly pipes and tubes, and Western engineering goods sales were also down last year.

The significant exception to this trend was an increase of more than 30 per cent, in volume terms, of Western exports to the Soviet Union in office and telecommunications equipment and computers.

Despite new Western security controls on some of these exports, Western sales in this category are likely to rise in comming years, due to the Soviet Union's relative lag behind the West in electronics.

Soviet bloc countries raised $3.3bn in medium and long-term loans from Western banks last year, the highest level of borrowing since 1979.

The hard currency current account surplus of the six East European members of Comecon, however, continued to rise from $3bn in 1983 to $4bn in 1984, and that of the Soviet Union from $6bn to $8bn over the same period.

As a result, Comecon countries, with the exception of Poland, had little difficulty in servicing their debt and in reducing net indebtedness from $70bn at end-1983 to $62bn at end-1984.

European consortium to sign China rail deal

By Paul Betts in Paris

A EUROPEAN consortium, including French, West German, Swiss and Belgian heavy engineering companies, is due to sign a FFr 2.6bn (£250m) contract today to supply China with 150 railway locomotives.

The contract is the single largest order for locomotives won by so-called European "50 Hertz" consortium.

The consortium includes Alsthom Atlantique and Jeumont - Schneider for France, AEG and Siemens for West Germany, Brown Boveri for Switzerland, and the ACEC group for Belgium.

The French companies are expected to be awarded 40 per cent of the total contract with Alsthom Atlantique and the MTE subsidiary of Jeumont-Schneider taking orders of about FFr 500m each. The German interest also totals 40 per cent with 10 per cent each for the Swiss and the Belgians.

The contract is expected to open the way for more collaboration between the European companies and China in railways. The contract took five years to negotiate and the European consortium finally clinched the deal against competition from a Japanese group.

The deal also comes after a series of large orders won by French companies in China. Alsthom Atlantique signed a contract at the end of last year to supply six gas turbines.

The Peugeot car group also recently signed a contract to collaborate with China in the production of Peugeot pick-up trucks

Toshiba copier order

Toshiba Corporation has concluded a Y20bn (£70m) technical assistance contract for plain paper copiers with China's Wuhan General Copying Machine Plant, one of the largest Government-owned factories in China, agencies report from Tokyo.

Under the agreement, Toshiba will provide manufacturing technology and "know-how" covering its paper copiers. The Japanese company will also supply manufacturing equipment for assembly, key components and materials for the copiers.

U.S. rejects plea over steel

WASHINGTON - The U.S. has rejected a European Community plea to let European steelmakers sell 320,000 tons more pipe and tube products in the U.S. than allowed under a new export-restraint accord.

The decision is likely to anger the Europeans, who had pressed vigorously for the exception. Some analysts say it might make the EEC less eager to renew a 1982 export-restraint pact on carbon steel products that is scheduled to be renegotiated in 1986.

EEC officials had sought the exemption to enable European producers to win a share of the increased sales expected from the construction of a 1,783-mile crude-oil pipeline from Santa Barbara, California, to Freeport, Texas.

Under the pipe-and-tube accord, the EEC agreed in January to limit European shipments of pipe and tube products to 7.6 per cent of the projected U.S. market except when a product was in short supply in the U.S. and U.S. steelmakers were operating at near capacity. It was under that escape clause that the EEC had sought the extra export opportunities.

The Commerce Department ruled, however, that the U.S. pipeline builders would be able to get the necessary steel from domestic suppliers as well as Brazil and South Korea.

European steelmakers still have some 28,000 tons of pipe and tube products awaiting release from bonded warehouses where they were placed while the two sides were negotiating AP-DJ

FT COMMERCIAL LAW REPORT

Inspector's agreement finalises tax assessment

SCORER (HM INSPECTOR OF TAXES) v OLIN ENERGY SYSTEMS LTD

House of Lords (Lord Fraser of Tullybelton, Lord Keith of Kinkel, Lord Bridge of Harwich, Lord Brightman and Lord Templeman): March 21 1985

CORPORATION TAX computations based on error but agreed by the inspector are final with regard to the subject matter of the agreement if the taxpayer did not intend to mislead and if, on the material submitted by him, an ordinarily competent tax inspector would have clearly understood the nature of the claim.

* * *

The House of Lords so held when dismissing an appeal by the Inland Revenue from a Court of Appeal decision that a tax inspector's nil assessment of Olin Energy Systems Ltd to corporation tax was final.

Section 510 (1) of the Income Tax Act 1952 (now section 54 of the Taxes Management Act 1970) provides: "Where a person gives notice of appeal... against an assessment... and before the appeal is determined... the... Crown and the appellant come to an agreement... that the assessment... should be treated as upheld... the like consequences shall ensue... as... if... the Commissioners... had determined the appeal and had upheld the assessment."

Section 5 (3) of the Income Tax Management Act 1964 (extended to corporation tax by paragraph 6[1] of Schedule 6 to the Finance Act 1966) provides: "If an inspector discovers (a)... (b) that an assessment to tax... is... insufficient,... the inspector... may make an assessment in the... further amount which ought in his... opinion to be charged."

LORD KEITH said that Olin carried on the business of supplying specialist equipment to the coal mining industry and other engineering activities.

In 1961 it started another trade. With it a loan of $8.58m at 5% per cent interest repayable over 20 years, it purchased a ship and chartered it out. The charter was terminated in 1967, the ship sold, and the balance of the loan repaid.

During the seven years in which the chartering business was carried on, Olin's accounts showed the profits of its "Shipping" Division separately from those of its engineering or "Airbreaking" Division.

In the profit and loss accounts for each year various charges were treated as directly attributable to one or other of the two divisions. The interest on the loan of $8.58m, however, was charged against their aggregate trading result.

That was incorrect. It was permissible for Olin to treat the loan interest as losses incurred in the trade of the Shipping Division which, for tax purposes, could be carried forward and set off against profits in future years.

The carry-forward provisions applied, however, only to the trade in which the interest payments were incurred. It was not permissible to carry the losses forward and set them off against the profits of a separate trade carried on by the same taxpayer.

When the Shipping Division was discontinued in February 1967, its losses amounted to £465,457. They were not capable of being carried forward and set against the profits of the Airbreaker Division.

On November 14 1969 Olin's accountants sent the tax inspector accounts for the year ending November 30 1968, together with tax computations. For the Shipping Division they showed a nil profit. For the Airbreaker Division they showed a profit of £115,515.

The final page of the computations read: losses brought forward £465,457; deduct profits of Airbreaker Divison £115,515, carried forward £349,942.

On November 17 1969 the inspector issued an estimated corporation tax assessment of £5,000 for the year ending November 30 1968. The accountants appealed and the inspector raised a number of fairly minor queries which they answered to his satisfaction.

On January 8 1970 he wrote "I... can agree your suggestions. Your computations are therefore agreed... and the appeal is determined in accordance with section 510 of the Income Tax Act 1952." On January 14 he issued an amendment to the assessment showing the tax payable as nil.

Thereafter the inspector dealing with Olin's tax affairs changed. The new inspector raised the point that losses of the defunct Shipping division should not have been carried forward and used to offset profits of the Airbreaker Division.

He issued an additional assessment to corporation tax, disallowing relief for the carried-forward Shipping Division losses, so that £51,019 tax became payable.

The question in the present appeal was whether he was entitled to issue the additional assessment under section 5(3) of the Income Tax Management Act 1964, or was precluded from doing so by section 510 of the 1952 Act.

The Special Commissioners answered in Olin's favor. On appeal by the Revenue, Mr Justice Walton reversed that determination. Olin appealed. The Court of Appeal, by majority, allowed the appeal.

It was settled in *Cenlon Finance (1961) Ch 50; 634* that where agreement had been reached under section 510 of the 1952 Act, it was not open to the inspector to make an additional "discovery" assessment under section 41 (1) of that Act (now to be found in section 5 [3] of the 1964 act).

Such an additional assessment was, however, not precluded if it was founded on a point other than the particular subject of the section 510 agreement see *Cenlon p 69,651,655; Kidston (1963) 41 TC 371,386; Chancery Lane (1965) 43 TC 83; Banning (1972) 48 TC 421).*

In the present case the additional assessment was based on the proposition that in law the carried-forward losses of the defunct Shipping Division could not be set against the profits of the Airbreaker Division.

The question was whether the availability of those losses for that purpose was the particular matter which was the subject of the section 510 agreement arrived at on Janury 8, 1970.

The accountant's computations plainly included the calculations showing the set-off of brought-forward losses against the profits of the Airbreaker Division. Those losses were in fact losses of the defunct Shipping Division.

Counsel for the Revenue argued, however, that the accounts and computations did not make that plain, that the provenance of the brought-forward losses was not clearly indicated and that the inspector then dealing with the matter might have thought or assumed they arose in the Airbreaker Division.

In the circumstances, it was argued, the point now at issue was not in contemplation at the time.

There could be no doubt that Olin's accountants were aware that they were putting forward a claim to have the carried-forward losses of the defunct Shipping Division set against the profits of the Airbreaker Division. They clearly knew that the brought-forward losses of £465,457 had arisen wholly in the Shipping Division.

The material which they put before the inspector was sufficient to bring home to the mind of an ordinarily competent inspector in his position precisely what they were claiming. The accounts made it clear that the Shipping Division had ceased to trade and had no profits in the year in question.

There were no grounds for the view that the accountants did not lay before the inspector material apt to cause him to appreciate the nature of their claim.

The situation must be viewed objectively. The question was whether the inspector's agreement, having regard to surrounding circumstances including all the material known to be in his possession, was such as to lead a reasonable man to conclude that he had decided to admit the claim.

The answer was in the affirmative. That conclusion was fortified by the consideration that the Revenue's argument before the Commissioners contained no hint that the inspector did not appreciate that the brought-forward losses had been incurred wholly in the Shipping Division.

The inspector had accepted the proposal that losses in a trade which had ceased should be set off against those of a continuing trade. Why he did so was of no consequence, provided it was not due to misleading information.

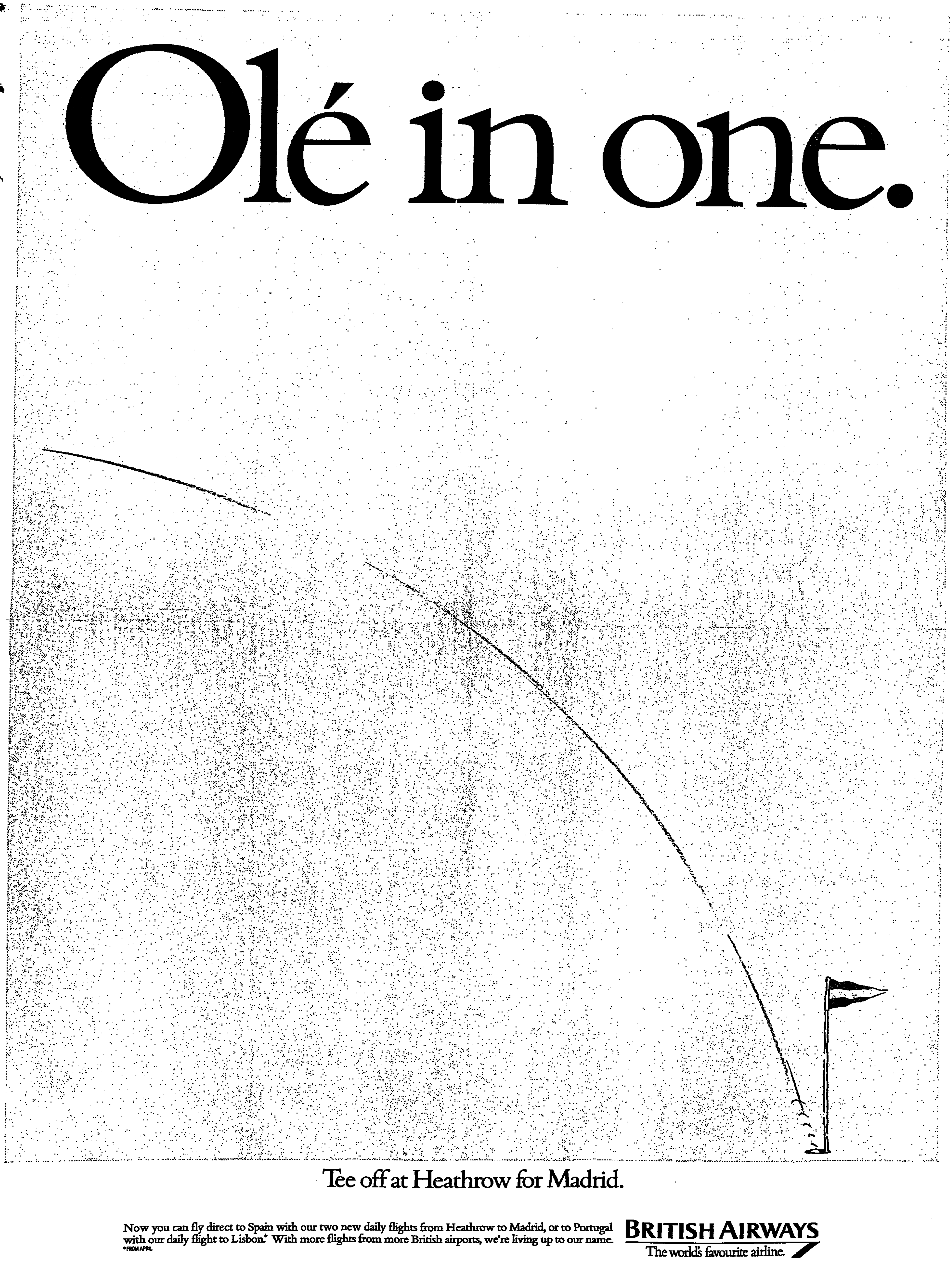
The appeal should be dismissed. Lord Fraser, Lord Bridge and Lord Brightman agreed. Lord Templeman gave a concurring judgment.

For the Revenue: DC Potter QC and Robert Carnwath (Solicitor, Inland Revenue).

For Olin: Graham Aaronson QC and TR Motochenson (Linklaters & Paines).

By Rachel Davies
Barrister

هكذا من الأصل



Pit union ballot rejects levy to aid sacked men

BY JOHN LLOYD, INDUSTRIAL EDITOR

BRITAIN'S miners have delivered a telling blow to the leadership of the National Union of Mineworkers (NUM) by voting decisively against financially supporting those miners sacked during the year-long strike.

The announcement of the vote came as:

- Pressure continued to build for an end to the miners' overtime ban, which started before the strike.
- Miners' leaders seem increasingly ready to accept that defiance is no longer tenable, and are looking to resuming talks with the National Coal Board (NCB) over pay and pit closures.
- Mr Roy Lynk, working miners' leader, announced he will stand against the left-wing Mr Mick McGahey for the NUM vice-presidency.

The result of last week's pithead ballot – the first in the NUM for two years – was decisive, with 109,150 miners voting by 54 per cent to 46 against a voluntary levy of 50p each per week, called for by the NUM's executive to help support the 620 miners sacked by the NCB during the dispute.

The vote was all the more stark given that the union's principal right-wing areas – Nottinghamshire, Leicestershire and South Derbyshire – all boycotted the ballot, making it virtually a test of opinion of those miners who had supported the strike.

The total votes cast were: for the levy, 50,429 (27 per cent of the total NUM membership, including those who did not vote); and against, 58,721 (31 per cent).

In Scotland, where 204 miners remain sacked and from where much of the campaign for their reinstatement has stemmed, the vote was about 3–1 in favour of the levy.

There were closer votes in Yorkshire, Kent and South Wales, which recorded a majority in favour of only 52 per cent.

Sacked miners echoed their leaders' disappointment. Officials of even left-wing unions which had supported the NUM in the dispute saw the result as a severe blow to union solidarity, and a clear indication that the union's members were unhappy about the union's leadership in the strike.

Non-oil exports climb to peak of £5.1bn

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

BRITAIN's exports bounded forward to an all-time record in February, although imports were also running at a high level.

The latest figures from the Department of Trade and Industry yesterday, showed that non-oil exports rose steeply in February to £5.1bn, representing a volume which was 8 per cent higher than January's level.

Although monthly trade figures are notoriously erratic, there is evidence of a steady improvement in exports over recent months.

In the three months to February, the volume of non-oil exports was 11 per cent higher than a year earlier, and 3½ per cent higher than in the previous three-month period.

By contrast, non-oil imports in the latest three months were 1½ per cent lower in volume terms than in the previous three months, although they were up by 6½ per cent compared with a year ago.

Imports of manufactured goods have risen, however, with their volume in the three months to February 4 per cent higher than the average for last year.

This was more than matched, however, by a rise in exports of manufactured goods which were 6 per cent higher in the latest three months compared with last year's average.

BALANCE OF PAYMENTS
(£ bn, seasonally adjusted)

	Current balance	Visible balance (oil)	Visible balance (non-oil)	Invisible balance
1982	4.89	4.57	− 2.50	2.82
1983	2.54	6.85	− 8.01	3.71
1984	0.05	7.14	−11.39	4.31
1984 Q1	0.63	2.32	− 2.38	0.68
Q2	−0.59	1.54	− 2.77	0.64
Q3	−0.62	1.80	− 3.45	1.02
Q4	0.64	1.47	− 2.80	1.96
Three months to:				
Feb 1984	1.19	2.40	−2.03	0.83
Nov 1984	−0.04	1.30	−3.17	1.83
Feb 1985	0.61	2.35	−3.04	1.30

Note. Recent figures for invisibles are estimates subject to revision

The figures suggest that the ending of the miners' strike had little effect on the trading accounts in February. Oil imports were running at more than £800m, about the same level as in recent months, while oil exports, at £1.5bn, were about the same as in December.

As oil-burning power stations are gradually shut down in the coming months, the overall surplus on the current account of the balance of payments should improve.

For February the figures show an estimated current account surplus of £131m, which compares with an average surplus of £213m in the previous three months. For the year as a whole, the Treasury is forecasting a current account surplus of £3bn, some £500m more than was achieved in 1983.

This improvement reflects the continued build-up of North Sea oil production. This rise in production has pulled the surplus earned on oil trade up to £2.4bn in the latest three months, slightly more than in the first quarter of 1984, before the miners' strike began.

State audit office challenges export credit loan system

BY ROBIN PAULEY

BRITISH Government expenditure of more than £3bn on loan guarantees for British exporters is heavily criticised by parliament's public spending watchdog today because no evidence has been provided that the expenditure was either necessary to get overseas orders or of any benefit to the UK economy.

Sir Gordon Downey, Comptroller and Auditor General, in the latest of his National Audit Office reports, has examined the Export Credits Guarantee Department's (ECGD) system of helping exporters with the cost of export finance credit.

It does so through fixed-rate export finance (FREF), which provides interest support for loans at fixed rates of interest advanced by commercial banks to finance UK exports of capital goods.

In the 10 years to March 1984, £3.1bn had been spent on support for exports of capital goods estimated to be worth about £44bn.

Last March there were about 5,000 FREF loans still in existence with an outstanding value of £11.1bn.

"FREF objectives are not defined beyond the generalities of maintaining the competitiveness of UK exporters, balance of payments and industrial and employment considerations. No agreed methodology has emerged for assessing cost-effectiveness.

"It is clearly unsatisfactory that expenditure of over £3.1bn – substantially more at 1984 prices – should have been incurred over the past 10 years without any clear quantified evidence emerging as to the extent it was required to secure overseas orders and as to the extent of any net overall national benefit to the UK economy," Sir Gordon says.

Sir Gordon's own staff estimate that five UK companies alone account for some 40 per cent or £5.5bn by value of existing FREF loans (at July 1983) and that countries classified as relatively rich accounted for some 18 per cent or £2.4bn of such loans at that date.

The ECGD itself did not keep statistics identifying countries, industrial sectors and individual companies benefiting from FREF, and the FREF section did not always monitor FREF-supported contracts.

Sir Gordon found that neither the Department of Trade and Industry (DTI) nor the ECGD had considered the practicability of setting operational objectives; neither had made studies aimed specifically at measuring the benefits of FREF, and until 1983 when a subsidy ceiling for big new projects was introduced there was no agreed way of assessing cost-effectiveness.

He also found both the DTI and ECGD continuing to pay interest support to banks for up to three months after the due date when borrowers had not repaid loan instalments in time. The ECGD did not try to recover the extra costs from the borrowers.

In 1984 a Treasury-sponsored report concluded that there were no overriding reasons for discriminating in favour of UK capital goods through a general subsidy to exporters, a subsidy borne directly or indirectly by the rest of UK industry. Industrial lobby groups protested loudly and for the time being subsidies are to remain while British ministers work for multilateral phasing out of export subsidies.

In spite of his severe criticisms about the way the money has been spent and the lack of accountability for it, Sir Gordon recognises that substantial efforts by Britain in the international arena have led to a significant fall in the cost of FREF since 1981-82 and agrees that FREF support has been some help to overseas exporters.

Report by the Comptroller and Auditor General – Export Credits Guarantee Department: Fixed-Rate Export Finance; HMSO; £3.10.

Schools to be freed of political control

THE GOVERNMENT is to legislate to free state schools from direct control by political parties ruling local authorities, says a White Paper (policy document) on education published yesterday.

The document also announces plans for a crackdown on families whose children avoid school attendance, and the introduction in 1989 of "Advanced Supplementary" examinations intended to broaden the studies of older pupils working for the advanced-level exams at 18-plus.

The legislation – promised "at the first opportunity" – will ban parties holding power in local areas from appointing a majority of the governors of any of their schools. Sir Keith Joseph, Secretary for Education and Science, has retreated from his proposal to give governing majorities to the parents of children attending the schools.

"No single interest will predominate. Neither the governors appointed by the local education authority, nor those elected by the parents, nor those representing the teachers will have a majority," the White Paper says.

The governing body, acting jointly, will be able to co-opt additional members including local employers. Governors will be given some increased powers over spending on books and equipment and in the selection of school staff. But overall control will remain largely in the hands of the head teacher and local authority.

☐ LOCAL authority manpower continues to edge upwards again in spite of mounting pressures on council expenditure, nearly two thirds of which goes on wages and salaries.

The latest joint Manpower Watch figures compiled by the local authorities and the Environment Department show that on a full time equivalent basis total local government manpower in England increased by 8,254 between last September and December to bring the total to 1,885,000. Although government policy is to increase law and order staffs, all but 175 of the 8,254 extra jobs were in the sections other than law and order.

☐ MR ALICK Buchanan-Smith, Energy Minister, is to head a group of senior industrialists from the oil and gas industries to help plan the development of Britain's offshore technology.

He is to chair a reconstituted Offshore Energy Technology Board which will be responsible for identifying priority areas in technology

☐ QUAYLE Munro, a Scottish investment management company, has taken over McNeill Pearson, a licensed deposit taker in Edinburgh for £1.5m.

To finance the purchase, Quayle Munro has raised equity from shareholders, St Andrew Trust, an investment trust managed by Martin Currie and Co, has also been added to the shareholders after buying 27 per cent of the share capital of Quayle Munro.

☐ MANAGEMENT and unions at the Sun newspaper reached a deal to allow normal working to be resumed. The paper was expected to appear today for the first time since early last week.

Settlement of the dispute, which began in the Sun's machine room over plate breaks, came as the print union Sogat '82 went into the High Court to take action against News Group Newspapers (NGN) for withholding wages. The case was adjourned because talks were then in progress.

☐ A £60m project to develop industries and facilities in Inverclyde around the Scottish towns of Greenock, Port Glasgow and Gourock was announced by Mr Allan Stewart, the Scottish Industry Minister.

The project could lead to the creation of 2,000 jobs over the next five years. The Inverclyde initiative will look for industrial regeneration in an area hit hard by job losses

☐ AN ITEM in the Financial Times on March 20 said that the opening of a soya milk factory in Trafford Park, Manchester was the first of its kind in Britain. This is not the case. At least two other companies already produce soya milk in Britain.

Concern indicated at foreign takeover bids

BY CHARLES BATCHELOR

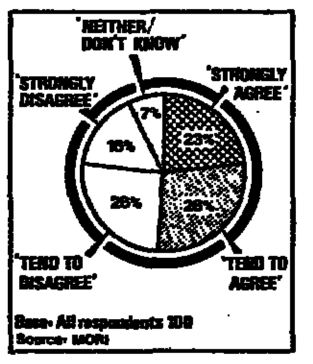
MOST BRITISH businessmen believe takeover bids for UK companies by foreign companies should automatically be referred to the Monopolies and Mergers Commission, according to a survey by Market & Opinion Research International (MORI).

A large number of businessmen and women, all senior executives with companies employing more than 100 people, expressed concern about the number of proposed takeover bids for British companies from abroad.

Entrad Investments, an Australian textiles and clothing group, is bidding £124m for Tootal, the UK thread and textile maker, while House of Fraser, the department store group which includes Harrods in London, recently agreed to a £165m bid from the Al-Fayed family of Egypt.

The bidder's proposed investment programme in the UK should be an important criterion to be considered by the Monopolies Commission, 95 per cent of the businessmen polled said.

The track record of the bidder was a key issue for 92 per cent of those polled, followed by the financial standing of the bidder (91 per cent), the future prospects of the British company (90 per cent), guarantees of employment from the bidder to staff (77 per cent) and the opportunity for British investors to buy shares in the bidder (70 per cent).



Should foreign takeover bids be automatically referred to the Monopolies and Mergers Commission?

Asked whether foreign takeover bids should be automatically referred, 23 per cent of those polled strongly agreed, 28 per cent tended to agree, 26 per cent tended to disagree and 16 per cent strongly disagreed.

Ombudsman is named for Mirror newspapers

BY SUE CAMERON

MR ROBERT MAXWELL, the flamboyant publisher of Mirror Group Newspapers (MGN) yesterday took a small step towards reforming the British press. He announced the appointment of Sir William Wood, a former top civil servant, to be MGN's own Ombudsman for dealing with readers' complaints.

Sir William's appointment was a "significant step towards restoring the faith of the British public in the veracity and conduct of British newspapers," Mr Maxwell said. He went on to say that he could "conceive of no system fairer than this to ensure a square deal for the public from the press" and he expressed the hope that all UK papers would "introduce similar safeguards."

Mr Maxwell, who insisted later that he was "only trying to do good," stated that Sir William's department would deal with complaints about Mirror newspapers within hours if possible and certainly within days.

He contrasted this speedy justice with the pace at which the Press Council dealt with complaints. The Press Council, said Mr Maxwell, took between four and six months to adjudicate.

Mr Maxwell is clearly an evolutionary rather than a revolutionary reformer. Perusal of the small print revealed that while Sir William will adjudicate and recommend it will be the publisher of MGN – i. e. Mr Maxwell – who will decide upon action, if any. Furthermore, the "publisher's decision will be final."

Even when a complaint is upheld, MGN – like the Press Council – will not pay out any damages to those wronged in a newspaper article. "I don't have a licence to print money," expained Mr Maxwell in a slightly aggressive – or was it aggrieved? – tone.

But MGN will be paying Sir William, who was Second Crown Estate Commissioner for 10 years between 1968 and 1978. Mr Maxwell was not saying how much Sir William would be paid – only that MGN's new Ombudsman would be receiving an "adequate" fee.

Mr Maxwell noted that many U.S. newspapers already had an Ombudsman system although the work was usually done by lawyers.

Prize worth pursuing, Page 7

Workers occupy Yarrow yard

BY ANDREW FISHER, SHIPPING CORRESPONDENT

WORKERS at the Yarrow warship yard on the Clyde, Scotland, which General Electric Company (GEC) is buying from state-owned British Shipbuilders (BS) for £34m, yesterday began an occupation in protest at what they saw as a lack of consultation.

GEC said it was "very disappointed" to hear of the move by members of the 5,300-strong workforce, adding that its managers were ready to meet employee representatives on Monday. Local union officials claimed BS broke a pledge to give three weeks' notice of any proposed sale.

The Government's decision to sell the profitable yard was also criticised by its former owner, the Yarrow maritime engineering company.

Immigration of doctors and dentists limited

By Kevin Brown

THE GOVERNMENT yesterday announced restrictions on the immigration of dentists and doctors from abroad.

Mr Norman Fowler, the Social Services Secretary, told the House of Commons that doctors and dentists wishing to enter the UK to work in general practice would have to comply with immigration requirements for the self-employed.

Those entering for any other purpose, except post-graduate training, would be subject to normal work permit arrangements. Students would be admitted for up to four years.

The new rules will take effect from April. They will not, however, affect overseas doctors and dentists already working or studying in the UK.

Mr Fowler said the Government was preparing for the approach of self-sufficiency in the supply of doctors and dentists. There would be a real danger of over-supply without the restrictions.

The changes were a sensible step which would enable the National Health Service to plan its use of manpower more effectively. The country owed a real debt to overseas medical staff who had helped to expand services to their present level, he said.

Mr Michael Meacher, the Labour Party's spokesman on health, said there were glaring omissions in the quality of post-graduate training of overseas doctors, who were often "shunted off" to unfashionable specialities

Health Service 'could benefit from study of private sector'

BY CARLA RAPOPORT

THE NATIONAL Health Service (NHS) could benefit from a study of the private health care sector, Mr Michael Meacher, MP, the opposition Labour Party's spokesman on health, said yesterday.

Mr Meacher, speaking at a Financial Times conference on private health care, was generally critical of the growth of the private health sector in the UK, saying it was detrimental to the overall framework and capability of the NHS.

He said, however, that the NHS should study why some people preferred private medicine, particularly those facets of medicine not offered by the NHS. Those included the provision of a reasonable amount of privacy, speed of service and the ability to choose one's own doctor. The NHS should also expand its abortion facilities and improve its ability to undertake routine surgery swiftly.

Mr Meacher called for the establishment of a government inspectorate to ensure that private hospitals met minimum standards in terms of staff training and numbers. Such a body could also monitor the numbers of hospital beds in particular communities with a view towards preventing any overcapacity.

Other speeches touched on the theme of achieving savings in health care, both public and private. Mr C. R. West, district general manager of Portsmouth and South-east Hampshire health authority, told the conference that his agency was looking to the private sector for help in managing the expenditure of about £70m on new buildings over the next few years.

Meacher: state hospitals should cut delays

"One has to ask how AMT can manage to build a new 120 bed hospital in Manchester in 13 months and shave £5m off the estimated price," Mr West said.

FINANCIAL TIMES
Private health care
CONFERENCE

Mr West pointed out that cooperation with the private sector also worked the other way. His district earned £450,000 last year from private patients using its facilities. The health authority recently won a £100,000 contract to supply pharmaceuticals to a local British United Provident Association (Bupa) hospital, against fierce competition from private companies.

Mr Hugh Elwell, of the Centre for Policy Studies, also spoke on the theme of collaboration between the two sectors. He emphasised the need for joint planning in health care.

"It is not so much the provision but rather the usage of private-sector beds that is a key factor," he said. The growth of private hospital beds had to be taken into account in government health government health planning, as well as the provision of expensive medical equipment.

Referring to primary health care, Mr Elwell said: "I see the opportunity of developing private, new-look general practitioner hospitals."

Those would be similar to the old cottage hospitals, at which consultants would be called in for specific consultations, but the hospital itself would be staffed by general practitioners.

Other speakers at yesterday's conference included Mr Gene Burleson, chief executive officer of AMI Hospitals; Dr Michael Goldsmith, executive director, Independent Medical Associates; Professor Alan Maynard, director, Centre for Health Economics, University of York; Mr Peter Townsend, chairman, Nationwide Hospitals; and Mr J. R. Anderson, deputy managing director, Fairclough Building.

UK NEWS

Campaign aims to draw investment to Britain

BY WALTER ELLIS

"BRITAIN Means Business," a co-ordinated campaign aimed at increasing overseas investment in the UK, was launched yesterday by Mr Norman Tebbit, the Trade and Industry Secretary.

The campaign is intended to raise the profile of Britain as an investment location in the face of increasing competition within Europe.

Just over £1m has been provided by the Government. The organisers, the Invest in Britain Bureau (IBB), hope to raise a further £1m from UK industry. Both sums will be in addition to funds available through the Scottish, Welsh and Northern Ireland Offices and the English regional development bodies.

Mr Tebbit – who was joined at yesterday's London launch by Mr George Younger and Mr Nicholas Edwards, the Scottish and Welsh Secretaries, and Mr Chris Patten, Under-Secretary at the Northern Ireland Office – said that Britain Means Business was unique.

It represented the first occasion on which the main British public sector inward investment bodies had joined forces with the private sector to promote a united UK image overseas. "It offers an exciting prospect and, as the Prime Minister has said, it is 'a truly British effort'."

All four ministers stressed the fact that competition for inward investment within Europe was getting tougher. It was important that a united UK front be presented, demonstrating not only the investment packages available but the experience of those foreign companies which had already selected Britain as an overseas base.

Mr Tebbit: no shortage of skills in the UK

Mr Tebbit said some people were not fully aware of the UK's attractions. "Maybe some in the U.S. or Japan still believe – like some of our colleagues in parliament – that the UK economy is contracting. Or they might feel that there is a serious industrial relations problem here. But neither belief is true, and there is no shortage of the skills they need."

Britain's corporate tax regime, Mr Tebbit said, was very attractive. No country, except perhaps the U.S., placed fewer restrictions on the movement of capital in and out of the country. Moreover, in Britain, "unlike in certain other countries – sometimes covertly," there was no discrimination against foreign business.

Mr Younger said that close co-operation on inward investment projects was nothing new for Scotland. But the new campaign – which will involve overseas missions by industrialists as well as ministers – "gives us an additional opportunity to get our message over in the key market places, notably the U.S. and Japan."

Mr Edwards stressed the fact that, while his immediate concern was for Wales, the Government was involved primarily with the attraction of industry to Britain as a whole.

Mr Tebbit listed the contribution made by foreign investment: £1bn in capital investment in 1984; new management and production techniques; new technology and products; and in 1984, the creation of 28,000 jobs

United's bid approach rebuffed by Fleet

Prize worthy of pursuit

BY SUE CAMERON

FLEET HOLDINGS – publishers of the Sunday Express and Daily Express – yesterday issued a sharp and short rebuff to United Newspapers' plans for launching a takeover bid.

Fleet said that "in the absence of any details from United" the proposal for a merger "appears to have no merit."

This carefully worded statement gave no clue to whether Fleet was an unwilling bride or whether it was simply playing hard to get in the hope of securing a better marriage settlement.

Both possibilities are being canvassed although there seems to be a general view that ultimately Fleet will be forced to concede. There also appears to be common agreement that Fleet will prove if not a glittering prize at least one well worth the pursuit.

Fleet, which was demerged from Trafalgar House, the shipping property and construction group, in 1982, owns not only Express Newspapers but also the Morgan-Grampian specialist magazine group with interests in the U.S. as well as the UK, a small string of regional newspapers in Britain, a share in TV-am the breakfast channel and a stake in Reuters that is estimated to be worth at least £80m.

What is more, some of these holdings seem set to start producing profits after years of losses.

The Daily Star, the popular daily paper launched in 1978 for example, saw its circulation rise by 16 per cent last year and it is now understood to be breaking even on a month-by-month basis.

TV-am – in which Fleet has roughly a one-third share – is now starting to produce profits for the first time, and the outlook for next year is said to be optimistic.

Results for the whole of the Fleet group in the six months to December 31, 1984 showed a marked improvement on the figures for the same period the previous year. Pre-tax profits shot from £4.79m in the second half of 1983 to £11.18m in the last six months of last year.

The improvement was spread right across Fleet's activities with the sole exception of its comparatively minor regional newspaper business.

Particularly noteworthy was the way pre-tax profits on Fleet's national newspaper titles – the Daily Star and the Sunday Express and Daily Express – rose from £2.19m to £4.4m.

Not only has everything been coming up roses for Fleet in the last few months but the group's management was known to be looking hard at the possibility of expanding through acquisition.

One aim – despite the good results last year – was to diversify from national newspapers with their seemingly chronic problems of overmanning and poor returns.

Fleet's managing director, Mr Ian Irvine, is thought to have been searching for two or three companies to take over – worth perhaps some £120m in all. One object in making such acquisitions would almost certainly have been to keep off predators – although Fleet formally denied any such intention as recently as last September.

United has been expanding quickly through acquisition. It now has a very substantial presence in the U.S. and in the UK it has diversified from newspapers to a large extent and into other forms of publishing plus retail shops. Its purchase of a stake in Fleet from Mr Maxwell – proprietor of Mirror Group Newspapers – followed hard on the heels of its £82.3m takeover of the Link House publishing group last November.

It bought a 15.76 per cent stake in Fleet earlier this year from Mr Robert Maxwell's Pergamon Press

Both groups own newspapers and therefore any takeover will have to gain the approval of the Monopolies Commission. But as United owns no national daily papers it is not thought likely that permission for a merger will be refused. What a reference to the commission would do, however, is give United a little more time – if that be needed – to talk its own shareholders round.

Ford to raise output of diesel engines

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD IS to increase output of its new 1.6 litre diesel engine, produced at Dagenham in the UK, by nearly 30 per cent from 160,000 to 205,000 a year, Mr Sam Toy, chairman of Ford of Britain, said yesterday.

Ford invested £160m in the Dagenham diesel, which was launched only last June. The equipment was designed so that capacity could be increased to the 205,000 level for a "modest" further outlay.

In the seven months in which it was available as an option on the Fiesta, Escort and Orion cars, more than 10,000 diesel engines were sold, accounting for 22 per cent of the UK car diesel market.

More than 90 per cent of the Dagenham diesel output is exported to Ford's European continental plants and its arrival has dramatically improved the company's position in markets such as Italy and France where there is a much higher demand for diesel than in Britain.

The new engine helped Ford of Britain to raise its exports to more than £1bn last year, a record for the company. Ford is in deficit in its balance of trade with the rest of the world, however. Mr Toy said his company would stay a net importer until at least 1988 unless productivity improved at the British factories so that the company could build more cars in the UK.

Mr Toy pointed out that Ford's car plants in Britain were still not meeting scheduled output. "It's up to us as a management to put that right," he said. If the factories could produce the cars, the UK marketing organisation would have no difficulties in selling them.

Mr Toy was taking part yesterday in the run-up to the launch on May 17 of the new Ford Granada, known on the continent as the Scorpio.

He said that the Scorpio/Granada would be launched at a time when the UK new car market was in decline from the peak 1.79m in 1983. Ford expects only 1.68m new cars to be registered in the UK this year compared with 1.74m in 1984.

He made it clear that Ford had not moved from its target of reaching a total car market share approaching 30 per cent even though its main rivals, General Motors, the *Vauxhall-Opel group and BL's* Austin Rover subsidiary, are also determined to make up ground this year.

However, Mr Toy promised that Ford would not offer extra financial incentives on the new Granada but would "let customers decide what its place in the market should be."

Ford of Britain hopes to sell the new Granada at the rate of 30,000 a year compared with 23,215 of the old models registered in 1984.

Luxembourg air pact sets fare precedent

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE UK Government's campaign to win greater liberalisation of air travel in Western Europe has moved an important step forward with an innovative air services agreement with Luxembourg.

Although the volume of air travel between the two countries is small, the agreement is regarded as a breakthrough in that it is the first in which the governments leave fares-fixing entirely to their airlines.

Mr Michael Spicer, UK minister responsible for civil aviation, said: "Never before have two governments agreed to leave it so completely to their airlines to use their own individual commercial judgments as to how they may best meet and stimulate the demands of the customer.

"It is our aim that this agreement with Luxembourg should set the standard for arrangements we would like to make with other countries in Europe."

Air agreements have until now provided that either government has the right to veto fares. Under the Luxembourg pact, both governments would have to disagree fares to render them ineffective.

The Luxembourg pact follows those agreed with the Netherlands and West Germany on more liberal air policies. Including the UK and Luxembourg, there are now four countries in the EEC committed to more liberal aviation policies.

"We look forward to persuading other countries inside and outside the EEC about the wisdom of our arguments," Mr Spicer said. "For a start, we are meeting Italy, Switzerland and France.

"We aim to bring to the European air traveller and airline industry the same benefits and opportunities of a common market in aviation as consumers of the manufacturing industries already enjoy."

He added: "We think it is a scandal that the principles of the Treaty of Rome are not being applied to the aviation industry in Europe. The British Government is pressing *hard to ensure that they soon will* be."

Under the pact, airlines of both countries will be free to operate services on any route between the countries. They will also be able to combine services to more than one point in either country and to points in other European countries.

British Airways (BA) yesterday welcomed the pact. It said it would start flights to Luxembourg six times a week at fares as low as £73 return, or 26 per cent less than the present lowest rate of £98 return. A Concorde would be used on the inaugural flight on March 31.

Mr Colin Marshall, chief executive of BA, said the pact gave the airlines "the crucial double disapproval system which we have been seeking in our European fares negotiations over many months. Neither country can now block a fare on its own.

"Once the advantages of this much more liberal system can be demonstrated, we expect many other countries to follow."

BA suspended flights to Luxembourg during the recession in 1982.

Gooding's mission to rescue companies

Ian Rodger reports on the Welsh entrepreneur whose group has acquired the washing machine company Servis from the receiver

MR ALF GOODING, whose Gooding Group has rescued the Servis washing machine companies from receivership, is not a typical British industrialist.

For one thing, he is inclined to passionate outbursts on what he sees as the great potential of industry in the UK.

"I believe the men and women of this country will work their guts out if they are led properly, and our workers are as good or better than any," he said after the announcement this week that his company had bought the assets of Servis from the receiver for £3.75m.

Servis, the third largest washing machine maker in the UK after Hotpoint and Hoover, had gone into receivership at the start of this month after it had failed to find new equity to reduce its excessive debts.

Mr Gooding also served notice that imported components were no longer welcome at Servis. They make up 20 per cent of the company's most popular automatic washing machine. British manufacturers were going to be offered the chance to displace importers as soon as possible, he promised.

"By the time I've finished with it, there won't be many imported components left," he said.

Mr Gooding, aged 51, a little-known Welsh entrepreneur, had his main break in the late 1960s when he realised he had to diversify away from the declining housebuilding business.

He set up a company to make steel fabricated lintels for placing above house windows. Within a few years he had converted the market from concrete to steel lintels. In 1982, he sold the business, Catnic Components, to Rio Tinto-Zinc for £15m, and decided to put his confidence in the future of British industry to the test.

Late in 1983, he gathered a group of experienced managers around him and set up the Gooding Group with £5m of his own money. His fellow executive directors are Mr Derek Norton, the former boss of Hadfields, the Sheffield steelmaker that tried to break the steel strike in 1980, Mr Peter Hickson, a former Tarmac financial executive, and Mr Philip Thwaites, formerly with Casio, the consumer electronics group.

Sir Michael Edwardes and Mr John Miller, formerly a director of United Builders Merchants, are also directors.

Their four acquisitions to date include companies in electronics, paper converting, packaging and engineering. Together, the companies have a turnover of about £35m.

Mr Gooding, who is also head of the council of the Confederation of British Industry in Wales, stated the group's objectives.

"Gooding is a private industrial group whose objective is to build a major manufacturing and marketing organisation. Our strategy is to acquire companies in poor shape but with good potential, to turn them round and develop them for public flotation."

The group believes it can achieve its objective by putting new management into companies, investing heavily in the most modern equipment and giving workers incentives.

APPOINTMENTS

Changes at the Pru

Having completed his five-year term as chairman of PRUDENTIAL CORPORATION, Lord Carr of Hadley, who was Home Secretary in the Heath Government, will be reli‸quishing the office after the annual meeting on May 30, but will continue as a director. Lord Hunt of Tanworth, currently a deputy chairman, is to succeed Lord Carr. Lord Hunt, former Secretary of the Cabinet, joined the board of Prudential Corporation in 1980 and became deputy chairman in 1982. Mr Ronald Skerman, a director, will become a deputy chairman of Prudential Corporation. He was chief actuary of The Prudential Assurance Company until his retirement in 1979. He became a director of the Corporation in 1980.

From May 30, the board of The Prudential Assurance Company—the main operating subsidiary of Prudential Corporation—is to become wholly executive. Lord Carr is to retire as chairman and Lord Hunt and Mr Peter Moody as deputy chairmen. Mr Brian Corby, chief executive and a director of Prudential Corporation, will become chairman of The Prudential Assurance Company, and Mr Ronald Artus, group chief investment manager and director of Prudential Corporation, will become deputy chairman.

★

TULLETT AND TOKYO FOREX INTERNATIONAL, London, has appointed to its board Mr Seiichi Akiyama as the executive director who will represent Tokyo Forex Company, Tokyo, during his stay in London. Mr Rick Magee, managing director of Tullett and Tokyo Forex Inc, New York, is appointed a director. Mr Koicchi Yanagida, who prior to his return to Tokyo, was executive director, is now appointed a director replacing Mr Y. Kanno.

★

Mr Roger Hayes has been appointed director of corporate communications for THORN EMI. He was manager, corporate communications worldwide with P. A. Management Consultants.

★

Following the formation of ELECTROLUX HOTEL SERVICES UK by the Electrolux Group of Sweden, Epicure Holdings and the Farnsworth Company, Mr Nicholas C. Popoff has been appointed as managing director. He joins from Grandmet International Services.

★

BISGOOD, BISHOP, jobbers, is to change the name of the company to County Bisgood. This reflects progress towards integration into the NatWest Group under the umbrella of County Holdings. Five directors are to be appointed to the board of Bisgood, Bishop. They are Mr John Brown, Mr Martin Burton, *Mr Geoffrey Green*, Mr Richard Hine and Mr Bob Wade, all of whom hold senior posts in the dealing team.

★

Mr Edward T. Hartill has been appointed City Surveyor for the CORPORATION OF LONDON. He will take office from April 15, succeeding Mr Richard Luff who is now estate manager for British Telecom. Mr Hartill was estates manager at Guardian Royal Exchange.

★

Mr Colin S. Kettle and Mr Roger W. Jones have been elected members of the Midlands and Western unit of the Stock Exchange and associate members of SABIN, WHITE & CO., stockbrokers, Birmingham.

★

Mr W. H. Wilkinson has retired as managing director of SUNDS DEFIBRATOR but remains on the board as non-executive director. Mr C. B. Williamson has been appointed general manager with Mr K. R. Glendinning as deputy.

★

Dr Douglas J. N. Currie has been appointed managing director of MARINA AND PORT SERVICES. He is vice-chairman of the Federation of Dredging Contractors, and general manager of Holland Dredging Co. (UK). He joins Maps on May 1.

★

Mr Bo Eneroth has joined LEHMAN BROTHERS INTERNATIONAL *as a director*. He will have responsibility for corporate clients in the Scandinavian/Finnish area. Mr Eneroth was previously a director at Kidder, Peabody, London

★

CLYDESDALE BANK has appointed *Lord Arbuthnott* and Mr Alexander Ledingham, senior partner of Aberdeen-based solicitors *Edmonds & Ledingham*, as main board directors from April 1

★

Having reached the age of 80, Sir Julian Hodge has retired as chairman from the board of COMMERCIAL BANK OF WALES which he founded in 1971 and brought it to a full listing in April last year. He is *to become president* and will remain a director of both Commercial Bank of Wales (Jersey), of which he is chairman, and of Commercial Bank of Wales (Isle of Man). Viscount Tonypandy is to succeed Sir Julian as chairman. Viscount Tonypandy was among the founder directors of the bank, returning to the board last year following the conclusion of his term of office as Speaker of the House of Commons. Sir Goronwy Daniel has been appointed deputy chairman. Sir Goronwy, who is chairman of Sianel Pedwar Cymru (Welsh Fourth Television Channel) is also a founder director of the bank.

RESOURCES REVIEW

Tax reliefs spur oil activity in Canada

By Bernard Simon, recently in Calgary

AFTER THREE years of deep recession, a new mood of optimism is sweeping through Western Canada's oil industry. In sharp contrast to Opec's wrangling over prices and production, drilling and land sales in Western Canada are at record levels, production will rise substantially this year and several large new projects are under way.

The depressed world market has contributed to the flurry of activity by forcing federal and provincial governments in Canada to *reassess policies* towards the oil and gas industry.

When energy prices were shooting up in the late 1970s and early 1980s, the authorities had no hesitation in levying an array of punitive taxes and charges on producers, culminating in the 12 per cent Petroleum and Gas Revenue tax (PGRT) that was part of the former Liberal Government's contentious 1981 National Energy Programme.

With the drop in oil and gas prices, the basic premise of the NEP collapsed, leaving Canadian energy companies burdened by high taxes and the economy of Alberta in ruins. Miss Pat Carney, Federal Energy Minister, sums up the new priorities: "We're prepared to give up federal revenue so long as it's clear that we'll pick it up in increased jobs and economic activity."

Tax and pricing concessions initiated over the past two years have spurred the present surge in new investment. The Provincial Government in Saskatchewan agreed in 1982, for instance, to waive its 30 per cent royalty for a year after a well starts to produce. Drilling activity in the province more than doubled in 1983 and rose by another 60 per cent last year, with almost 3,000 wells completed. Sponsors of several new projects have been allowed to postpone PGRT and provincial royalty payments until they recoup their capital costs.

Export levies, previously determined by bureaucratic fiat, have been negotiable since the beginning of this year in an effort to improve the competitiveness of Canadian oil in the U.S. market. Canadian producers recently made a bid to export oil to Japan for the first time.

The new Conservative Government in Ottawa and the producing provinces of Alberta, Saskatchewan and British

Miss Pat Carney, Canada's Energy Minister

Columbia are currently negotiating a new fiscal and pricing regime which may stimulate further investment. According to Mr Harry Carlyle, president of Gulf Canada Resources in Calgary, "everybody feels that we have governments that are going to support the industry, and activity is brisk in anticipation."

Miss Carney says that the Federal Government is committed to abolishing the PGRT although there is disagreement between Ottawa (saddled with a massive budget deficit) and the Provinces about the pace at which it should be done.

The Federal Government wants to be sure that its concessions stimulate investment, rather than flow through to oil company shareholders in the form of higher dividends. The proportion of companies' cash flow reinvested in exploration and development has dropped from around 110 to 65 per cent. According to Miss Carney, the companies in recent years "put (their surplus funds) in the money market, they took it out of the country, they spent it in Indonesia or whatever. Now we're saying that (the reinvestment) ratio has to increase, and we want some guarantees."

The other major change expected to flow from the present negotiations is a deregulation of domestic oil prices, thereby abolishing the distinction between "old" oil discovered before the end of 1973 and "new" oil. Old oil presently fetches a fixed wellhead price of C$29.75 a barrel, well below ruling world prices. On the other hand, the price of new oil, determined by a complex formula, is slightly above world prices. It was fixed at C$40.10 a barrel at the end of 1984.

This system has already started fraying at the edges as the Government makes exceptions to encourage new investment. For example, Imperial Oil (Exxon's Canadian subsidiary) will receive new oil prices for output from an expansion of its Norman Wells oilfield in the Northwest Territories and its Cold Lake oilsands development in North-East Alberta. Both projects are due to come on-stream later this year, although the deposits were discovered long before 1973.

Mr Hans Maciej, technical director of the Canadian Petroleum Association, estimates that the total number of wells drilled in Canada (the bulk of them in the west) will rise by 15 to 20 per cent in 1985 from the 9,500 completions last year. Spending on oil and gas drilling and development as well as oil sands projects totalled C$8.7bn in 1984. According to Mr Maciej, "if the agreement (between Ottawa and the provinces) comes out not too badly, we'll be looking for a 20 per cent increase in 1985."

Interest is currently centred on heavy oil and bitumen-producing oilsands projects, thanks to strong demand for asphalt for road construction in the U.S. and the narrower gap between light and heavy crude oil prices.

[Heavy gravity oil of less than 25 degrees, measured by the American Petroleum Institute's standard, is produced in Canada either as conventional crude or as bitumen. Where *bitumen deposits are close to* the surface, as they are in much of North East Alberta, they are mined as oilsands.]

At least six new heavy oil or oilsands projects in Northern Alberta are due to come on stream in the next year or two:

- Esso Resources (an Imperial Oil subsidiary) will commission the first two phases of *its* C$635m Cold Lake oilsands project this spring. The next two stages are scheduled to come on stream towards the end of this year, and the final fifth and sixth phases may be operational by mid-1986. Total production will be 57,000 barrels per day.
- Shell *is expanding* a pilot plant at Peace River into a full-fledged commercial facility with an output of 10,000 b/d. Start-up is scheduled for late 1986. According to a Shell official, the company is already planning another extension.
- The joint venture at Wolf Lake between Petro-Canada and BP Canada is also due to come on-stream soon with an initial capacity of 10,000 b/d. Production may be pushed up to 40,000 b/d by the early 1990s.
- The Syncrude plant, which converts oilsands to synthetic light crude, is in the middle of a debottlenecking programme that will raise capacity from about 128,000 b/d to 140,000 b/d. The shareholders are considering a new cracker to lift capacity to 200,000 b/d.
- The first phase of Amoco's Elk Point project will soon begin with construction of a pilot plant producing 4,000 b/d of bitumen. Capacity may reach 23,000 b/d over the next decade.
- Dome Petroleum plans to begin building commercial plants later this year at its Lindbergh and Primrose oilsands deposits. The combined production will be around 40,000 b/d.

No fewer than 51 experimental projects are under way in Alberta, and several sponsors have begun negotiations with the Provincial Government to expand these into commercial facilities.

CANADIAN OIL OUTPUT AND EXPORTS

Figures in thousands of cubic metres per day

Estimated production		Heavy crude	Light crude	Total
1981 average:	Capacity	32.1	204.0	236.1
	Production	31.0	189.8	220.8
1983 average:	Capacity	37.7	201.6	239.3
	Production	37.1	193.2	230.3
1984 average:	Capacity	43.2	201.5	244.7
	Production	43.2	201.2	244.4

Estimated exports	Light	Heavy	Total
1983	11.1	31.8	42.8
1984	14.3	36.0	50.3

Reserves: Conventional crude only	
January 1983	735.7
January 1984	721.4

Source: National Energy Board, Ottawa.

Conventional light and medium crude production will also be boosted over the next few years by a spate of "enhanced oil recovery" projects, involving the injection of steam, ethane or natural gas solvents into depleted reservoirs. Thirty-three enhanced recovery projects, involving all the major integrated oil companies, have so far been approved by the Alberta authorities. A provincial official expects another 20 applications over the next three *to four years*.

Esso's enhancement project at Judy Creek, due to come on-stream in late 1985, will add 75m barrels to reserves. A further 20m barrels could be extracted from another pool in the Judy Creek area.

Most of the current heavy oil and bitumen production is exported to the U.S. without further refining. Diluted with condensate, the material can be sent by pipeline to U.S. refineries where part is sold for road-making purposes and the rest upgraded into other oil products.

The dilemma facing Canadian *producers is that this happy* state of affairs (which includes handsome profits on condensate sales) is unlikely to last for much longer. Demand for asphalt is bound to weaken and supplies of the condensate diluent are running out.

Furthermore, dependence on heavy oil is likely to increase as *Western Canada's reserves of* light and medium crude—now estimated at around 6bn barrels are depleted. Reserves of bitumen in Alberta alone are estimated at 1.6bn barrels, 10 per cent of which can be recovered by surface mining methods.

Attention is thus turning to ways of upgrading the heavy oil and bitumen into lighter products. Mr Reg Humphreys, chairman of the Alberta Oil Sands Technology and Research Authority in Edmonton, argues *that "oil companies in Canada* must get into heavy oil if they're going to stay in the oil business. Asphalt is providing the opportunity to get into the business, but putting in upgraders will keep us there."

Two plants, Syncrude and a facility owned by Suncor, are *presently* in operation, upgrading heavy oil into synthetic crudes suitable as feedstocks in conventional refineries.

Husky Oil last year announced plans to build a 54,000 b/d integrated heavy oil and upgrading facility at Lloydminster on the Alberta/Saskatchewan border. The C$3.2bn project, the largest industrial venture in Canada, is scheduled for completion in 1989, using technology supplied by two U.S. companies, Hydrocarbon Research Incorporated and Texaco Development Corporation.

Other producers are looking for improved upgrading techologies before they add upgraders to their heavy oil facilities. The Alberta Oil Sands Technology and Research Authority (Aostra) and ten oil companies are in the closing stages of selecting a process to be used in a 5,000 b/d demonstration plant to be built at a cost of up to C$200m.

According to Mr Humphreys, *the partners hope that the* technology they choose will achieve higher yields than Husky Oil's Lloydminster plant, which itself is expected to be more efficient than the Syncrude and Suncor processes.

Gulf Canada is one company that is not yet convinced that the risk is worthwhile. *It* is concentrating its energies on exploration and development in the Beaufort Sea, off Canada's high Arctic coast, and the Hibernia Field, off Newfoundland.

Mr Carlyle argues: "Sooner or later you have to upgrade that (heavy) oil, and that's an expensive proposition. For much less capital investment, we can get much larger volumes of the oil we need." He predicts that income from Hibernia and the Beaufort Sea will one day help finance some of the oilsands projects in Western Canada.

هكذا من الأصل

هكذا من الأهل

Schools to be freed of political control

TECHNOLOGY

EDITED BY ALAN CANE

GENENTECH AND WELLCOME VIE FOR THE HONOURS

Hamster cell key to cure

BY STEPHANIE YANCHINSKI

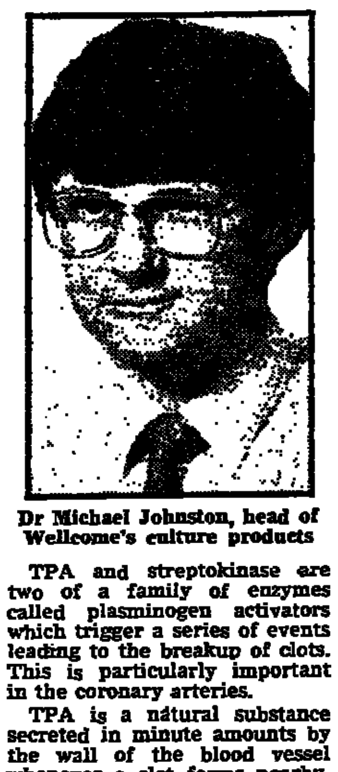
A NOVEL substance for treating heart attacks has had such good results that the American regulatory agency the Food and Drug Administration has put it on the fast track for clinical evaluation.

Recent trials showed tissue plasminogen activator (TPA), an anticlotting agent made by the genetic engineering firm of Genentech, to be twice as effective at opening up closed arteries in patients with heart attacks as the approved treatment, streptokinase.

Dr Eugene Passamani, one of the clinicians at the National Heart, Lung, and Blood Institute in Washington said: "This represents a major advance" in the treatment of thrombosis.

The trial involved 289 patients who arrived at clinical centres in the throes of a heart attack. Of these 143 received TPA, and 146 streptokinase, a clot-dissolving enzyme produced by particular types of bacteria.

Two thirds of the patients receiving TPA showed complete or partial reopening of the blocked arteries an hour and a half after injections, compared to only one third of the streptokinase patients. These *outstanding results, which will* be published in the New England Journal of Medicine on April 4, convinced the FDA to stop the phase 1 trials, and go directly into phase 2, where all heart patients will receive TPA.



Dr Michael Johnston, head of Wellcome's culture products

TPA and streptokinase are two of a family of enzymes called plasminogen activators which trigger a series of events leading to the breakup of clots. This is particularly important in the coronary arteries.

TPA is a natural substance secreted in minute amounts by the wall of the blood vessel whenever a clot forms nearby. It activates plasminogen, a blood substance that dissolves clots.

Scientists have been experimenting for some years with streptokinase extracted from streptococcus bacteria. But it activates the clot-dissolving system throughout the body, and can cause haemorrhaging.

TPA, on the other hand, acts only in the vicinity of the clot. Doctors believe it is possible to inject it anywhere in the body without the hazards of uncontrolled bleeding.

For doctors like Passamani, the real advantage of using TPA is that the fast acting drug rapidly dissolves the clot, limiting long-term damage to the heart muscle, and giving doctors time to try other treatments.

Genentech, considered by some to be the cream of the biotechnology firms, lists TPA as one of its priority products. In 1983 it raised $32m from individuals and institutions investing in a limited R&D partnership to support development of the drug.

Genentech's tissue plasminogen activator is currently made in an improved system based on genetically engineered hamster cells. However, Genentech faces stiff competition from Wellcome Biotechnology, a subsidiary of the British pharmaceutical firm Burroughs Wellcome. Last week Wellcome began commercial production of gene spliced TPA at its plant in Beckenham. Dr Michael Johnston, head of cell culture products, says Wellcome plans to launch clinical trials in the United States, Britain, and other parts of Europe later this year.

ENERGY

Coal-fired challenge to oil space heaters in the home

BY MAURICE SAMUELSON

FAITH in the future of coal underlies the launching this month of a new company to manufacture what it calls "the world's first full automated coal burning space heating device."

The company, Holden Heat, is seeking £622,000 from the over-the-counter share market, to start producing a range of equipment to challenge oil fired central heating in parts of the country not served by natural gas. So far, two-thirds of the money has been raised.

Mr Bill Holden, chairman, has the support of the National Coal Board, which has tested the equipment at its Stoke Orchard research centre, and the coal distributive trade, itching to take up the challenge.

Mr Peter Walker, Energy Secretary, has given his blessing, as has Dr Anthony Challis, former chief scientist at the Energy Department, who, as deputy chairman of the new company, will be in charge of neutralising public fears that it will intensify acid rain problems.

On April 1, the company will move into its new factory, at Bishop's Frome, near Hereford, designed to produce up to 1.500 units a year.

Initially three ranges of boiler and bunker are being developed, for different sizes of buildings of which the smallest will initially be a five-bedroom house.

When installed as a straight replacement for an oil fired unit, the installation cost, Mr Holden claims, would be well under £1,000, and that would include the provision of a chimney. Householders could expect a pay back period of three to four years.

The company claims that although its system is unique it is relatively simple to manufacture, with no significant reliance placed on high technology or specialised components. General maintenance and refuelling is said to be comparable with an oil-fired boiler, the major difference being that the coal is only half the price of oil.

The fuel, bituminous singles, is delivered directly into a bunker then fed automatically into the boiler, where it is burned with the minimum of smoke, and waste gases are purified before emission.

The boiler itself is cleaned automatically by a mechanism controlled by an electronic unit and the ash remaining in the boiler is automatically extracted, cooled and returned into a normal dustbin for easy collection and removal. In a power failure the fire would stay dormant for up to three hours and then reactivate automatically when electricity is restored.

The company has already tested six prototypes, which worked satisfactorily for two years. The present flotation is to finance one more year of prototyping before commercial production at Bishop's Frome in the first half of next year.

A market survey has shown that of 629,000 domestic and commercial establishments outside the gas distribution areas, 32,900 a year would replace their heating units, of which some 3 per cent could switch to coal after three years, giving a demand for 950 coal-fired machines.

Mr Malcolm Edwards, the NCB's commercial director, says he has assured Holden Heat that the type of coal used in its machines, produced at many of Britain's lowest-cost mines, would be made generally available. "The NCB plan to maintain prices at levels that will retain a significant cost advantage in the foreseeable future," he added.

"Once these machines are produced in commercial quantities they will lead to a take-up of coal capacity that will be of great value both to the user and to the coal industry in general." More on 08853-634 or 08864-233.

Adhesives

Joint strength

THE PRODUCTION Engineering Research Association (PERA) has developed a simple and accurate method of predicting the strength of adhesive joints.

PERA says that for the first time, the adhesive bonding process can be calculated with confidence at the production stage and joint performance compared quantitatively with other joining processes such as welding or riveting. In fact, adhesive lap joints in sheet metal have been shown to be stronger than either riveted or spot welded joints of the same dimensions, and in some cases stronger even than a solid component of the same material and thickness.

Seven essential phases of bonding are identified. surface conditioning, adhesive preparation, adhesive distribution, component assembly, surface wetting, solidification and joint inspection.

The PERA work has shown that test methods commonly used at the moment to evaluate adhesives are inadequate for engineering purposes. In particular, existing lap, shear and peel tests were shown to be "ill conceived, irrelevant and misleading."

The research project has been supported by the Department of Trade and Industry and leading adhesive and engineering companies.

Peripherals

Upgrading printers

FOR MOST personal computer users, the dot matrix printer, the ubiquitous Epson FX-80 or similar, is the best compromise between price and flexibility.

But for those, however, who would like to see their dot matrix machine producing something close to letter quality print, Arcom software of Poole in Dorset has developed a £26 (plus VAT) program which gives 12 separate typefaces.

According to Alan McGinley of Arcom, the program works with any Epson, Star and Canon printers and any other printers capable of graphics.

It works by creating the text in graphics form, making four separate passes over the paper filling in more of the character each time to produce an image close to that generated by, say, a daisy wheel machine. Inevitably it is slow but the result is good.

MEDICINE

Health monitoring by blood flow

AN ULTRASONIC technique for measuring blood flow in astronauts is the basis of a mobile health-screening system planned for hospitals in Britain.

In May, French astronaut Patrick Baudry is due to enter orbit on a U.S. space shuttle, accompanied by ultrasonic equipment built by researchers at the Laboratory of Medical Biophysics in Tours.

During the mission, he will strap to *himself ultrasonic* imaging equipment that measures the rate at which blood travels through his veins. This will indicate physiological changes that take place in space as the body reacts to zero gravity.

Similar hardware, under development at King's College Medical School in London, could be loaded on a bus to give a service to hospitals in south-east England.

Both the shuttle- and bus-based hardware aims to quantify the rate at which blood is pulsing around the arteries. With a small probe on a patient's body, a doctor can beam ultrasound at blood channels—the sound waves bounce off cells of the liquid and are sensed by a detector.

The Doppler shift of the returned waves indicates the rate of blood flow. Changes in this property can indicate whether a person is suffering from arteries that are clogged with fatty deposits—a condition that can cause a stroke and—in severe cases—death.

In a healthy person, blood courses through the arteries of the legs at an average of about 10 cm a second. When the arteries are clogged, the rate might be halved.

According to Professor Colin Roberts of King's College's medical engineering department, many hospitals lack the sophisticated facilities required for ultrasonic diagnostics. In his hardware, the ultrasonic monitor is linked to a computer that compares the measurements with a data base of ultrasound scans obtained from other patients. This indicates the seriousness of the condition and whether it may need surgery to correct.

In one plan under discussion, the bus with its ultrasonic equipment could visit offices and factories to give health checks to executives. Prof Roberts is attempting to obtain about £250,000 to continue development work and to put the health-care system in a form such that it can be loaded onto a vehicle.

In the work in space, the ultrasound technique may shed light on the way in which blood flow is disrupted by zero gravity. More blood resides in the head and upper torso than for a person on the ground, a condition than can lead to swelling of the brain and other unpleasant consequences.

PETER MARSH

Computer aided design

Faster response

FASTER ON-SCREEN response and improved productivity in computer aided design (CAD) remains crucial in reducing design costs and getting products to market as quickly as possible — particularly in the electronics industry.

Working speed for a designer is a function of computer power and software design. During a project he will demand hundreds of changes using keyboard, tablet or light pen, and the time for each to be executed and appear as new graphics on the screen is critical. That is why the CAD vendors are replacing 16 bit products with machines using 32 bit computers — data transfers within the system are much faster.

The latest workstation, GDS2/32, from Calma of Camberley uses a 32 bit Data General computer and has been designed to meet the challenge in electronic circuit design presented by "stand alone" offerings from companies like Daisy and Mentor.

Calma offers systems in which terminals work to a main computer over its Calmanet local area network and the latest announcement brings the "per seat" price down to $95,000.

The GDS2/32 is optimised to handle the design, display and updating tasks of integrated circuit mask design and layout, freeing the host central processor for background tasks such as design rule checking and tape preparation for mask fabrication.

Vosper launches commercial system

Night vision

VOSPER HOVERMARINE, looking for a night vision system that might be used by the 100 or so craft it has sold, found that what was available was either too expensive, too heavy or too complex for use by commercial ferry operators.

So it has developed its own system in conjunction with McLennan Marine, which had already designed a camera using the 50mm second generation Mullard image intensifier tube.

The resulting Vistar 301 equipment gives a forward field of view of 23 degrees horizontally and 12 degrees vertically, normally illuminated (when near to the shore) by ambient lighting from street and building lamps. For offshore working, when there is no moonlight or starlight (both of which produce acceptable pictures), a separate unit projects a beam of infrared light ahead of the craft.

The system's pointing angle can be shifted 10 or 20 degrees to port or starboard, and the IR projector moves in sympathy.

Approved by the Hong Kong Marine Department, the system is operating on a number of ferry routes in Hong Kong, on Vosper HM 218 craft.

In its simpler form the system costs about £49,000 and with the IR projector, about £76,000. More on 0703 443122.

Communications

Telex management

DATA AND Control Equipment of Aylesbury has introduced Telebox 3, a telex management system in a single, compact box.

It is designed for use with professional personal computers, in any kind of office and offers such features as automatic re-dialling.

BP BRIEFING No. 2: ANNUAL REPORT

A year of encouraging progress.

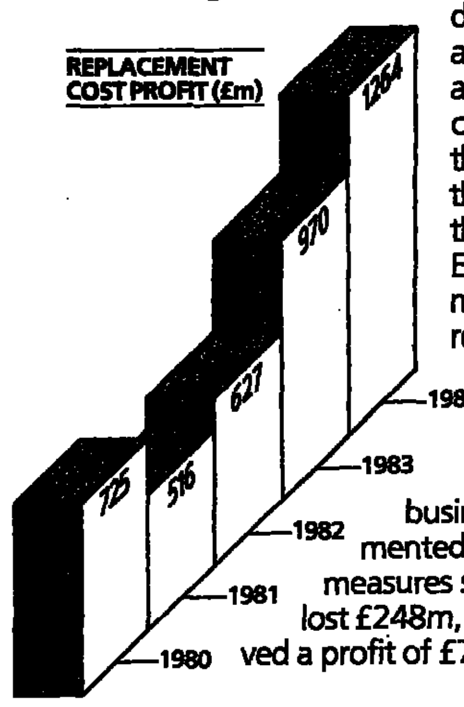
Profit after taxation

BP's financial results for 1984 showed a substantial improvement on 1983. Replacement cost profit was up by 30% to £1264 million. Historical cost profit increased by 62% to £1402 million. The difference reflects a gain in the value of stocks held which, in a year when the price of oil was under pressure, was mostly due to the strength of the US dollar.

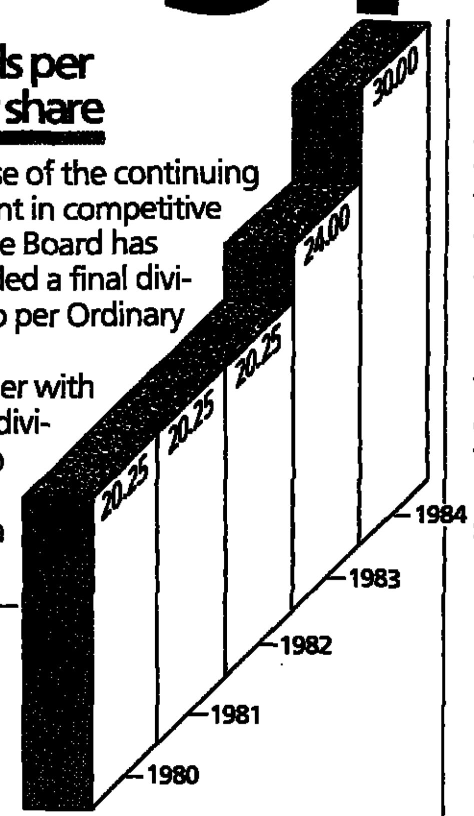
Earnings from upstream exploration and production strengthened. In part this was due to the first full year's production from BP's wholly-owned Magnus field in the North Sea. Sales from upstream activity are made in dollars. Profits from these sales, expressed in sterling, benefit considerably from the strength of the dollar.

BP's downstream refining and marketing operations were profitable and show a considerable improvement in BP's competitive strength. Returns were still depressed by industry over-capacity and BP has recently announced further closures. For BP, as for the rest of the industry, the continued rise of the dollar against all European currencies meant that prices realised in Europe could not reflect increases in the local cost of oil.

BP's chemicals business has also implemented major cost-cutting measures since 1981, when it lost £248m, and this year achieved a profit of £70m.



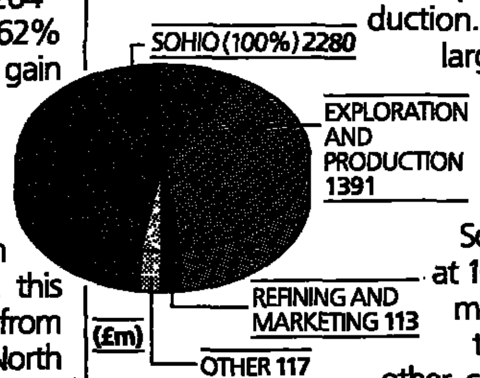
Dividends per ordinary share



Because of the continuing improvement in competitive strength, the Board has recommended a final dividend of 20p per Ordinary Share.

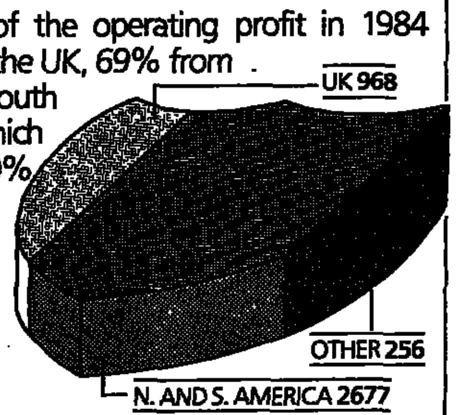
Together with the interim dividend of 10p per share, this makes a total for the year of 30p – a 25% increase over the 1983 total of 24p per share.

Operating Profit by Activity



BP's operating profits come largely from its direct interests in oil exploration and production. BP has further large interests in exploration and production through its 55% shareholding in Sohio (shown here at 100%), which has more oil reserves in the USA than any *other* company. For BP, excluding Sohio, 86% of its operating profit comes from exploration and production, with refining and marketing accounting for 7% and the remainder from other BP businesses.

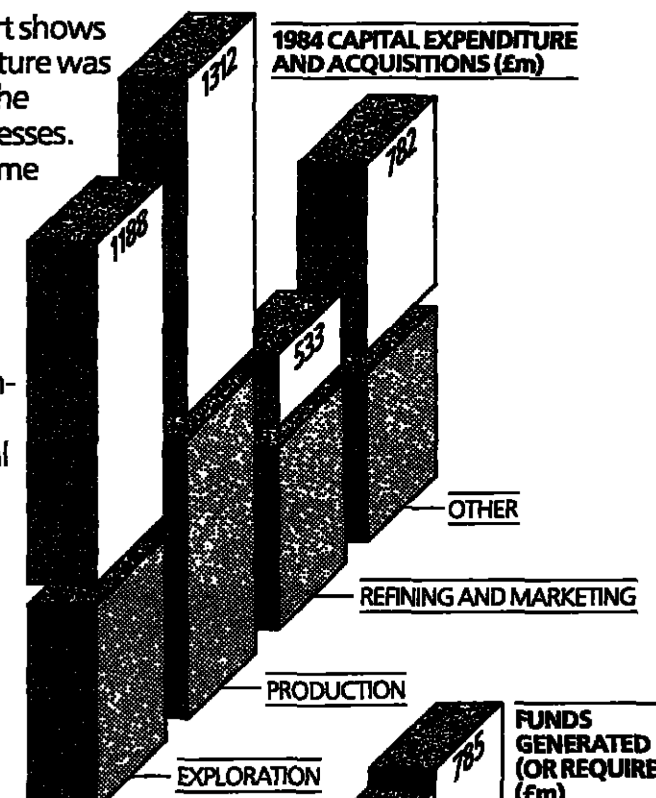
Operating Profit by Region (£m)



25% of the operating profit in 1984 came from the UK, 69% from North and South America (which includes 100% of Sohio's earnings) and 6% from other regions.

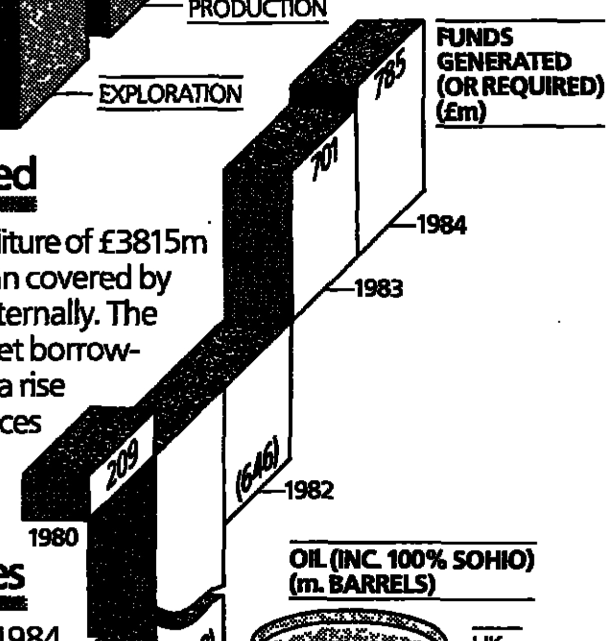
Capital Expenditure

Throughout the year, BP continued to improve the strategic composition of its business by an active programme of capital expenditure, acquisitions, disposals and closures.



The chart shows how expenditure was allocated to the various businesses. The programme will further enhance BP's competitive capability in future years, and a substantially higher level of capital spending is planned for 1985.

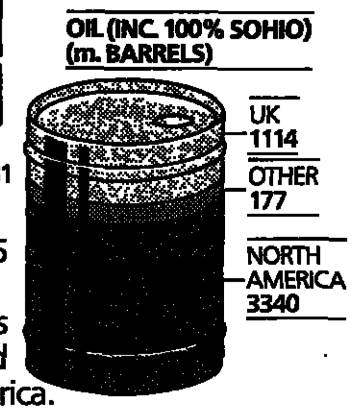
Funds generated

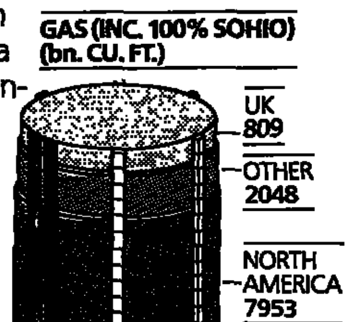


Capital expenditure of £3815m by BP was more than covered by funds generated internally. The excess, and some net borrowing, contributed to a rise in BP's liquid resources from £1200 million to £2300 million.

Proved reserves

At the end of 1984 the BP Group had 4631 million barrels of proved reserves. This represented a small overall increase after a year when 465 million barrels were produced. BP Exploration's share of these reserves totalled 1728 million barrels, located principally in the UK and North America. Its proved natural gas reserves totalled 3838 *billion cubic feet, mostly in* Australasia, North America and the UK. Substantial quantities of oil and gas, which have been discovered, cannot yet be classified as proved.





Current Exploration

BP Exploration's 1984 oil and gas exploration programme continued at a high level, with emphasis on the UK, Alaska, Egypt, China and Indonesia. Worldwide, BP drilled 195 gross (71 net) exploration and appraisal wells in 22 different countries, acting as operator in 11 of them. New leases were taken out in 15 countries.

If you would like to receive a copy of BP's full Annual Report for 1984, please send the coupon to the address indicated.

To: The British Petroleum Company plc, FREEPOST Room 2515, Britannic House, Moor Lane, London EC2B 2DJ.
Please send me the BP Annual Report and Accounts for 1984.

Name ______________________

Company ______________________

Address ______________________

BP

Britain at its best.

WORLD ENERGY

Paul Betts on the development plans of the oil industry's 'eighth sister'

Ortoli maps out Total's strategy

FRANCE'S TWO recently retired European Commissioners — M Edgard Pisani and M Francois Xavier Ortoli—have been charged each with challenging, if different tasks. M Pisani is currently struggling to find an acceptabel solution to France's complex colonial programme in New Caledonia, where the former EEC Commissioner is the French Government's trouble-shooter. Mr Ortoli has been placed in charge of Compagnie Francaise des Petroles (CFP), the Total group sometimes referred to as the "eighth sister" of the international oil industry, at a time when the French oil company is scrambling to find new reserves.

Mr Ortoli took over as Total's chairman five months ago in a stormy, if discreet, behind-the-scenes succession battle. The company had fought in favour of the appointment of M Louis Deny, Total's deputy chairman, to succeed Mr Rene Granier Lilliac when the latter reached mandatory retirement age last October. But Total, 35 per cent owned by the State, lost out to the Socialist Government which imposed on the reluctant company M Ortoli. The appointment of a political figure broke with Total management tradition and provoked inevitable criticism of Government intervention in the affairs of business.

M Ortoli has been lying low for the past few months. But in mid-March, the former Gaullist Minister finally emerged in the open before a group of French financial analysts. Appearing with all the top Total executives around him and M Deny next to him, Mr Ortoli spelt out the broad lines of his strategy.

In a nutshell, M Ortoli wants to intensify the recent emphasis and effort Total has placed on oil and gas exploration and production. He plans to increase significantly the exploration and production budget of a company which admits it has spent relatively little on exploration and production in the past.

Of all the major international oil companies, Total has perhaps been the most vulnerable to the dramatic changes that have hit the oil industry during the past ten years. The group had grown rich on its abundant supplies of Middle East crude, and developed a major downstream refining and distribution network.

But the oil shocks of the seventies and the subsequent slump in the refining business were traumatic for Total. As M Ortoli pointed out, Total saw its annual oil supplies drop from about 80m tonnes to around 40m tonnes over a ten year period. The company's financial performance also suffered, with Total reporting a loss of FFr 1.07bn ($100m) in 1982 for the first time in its history.

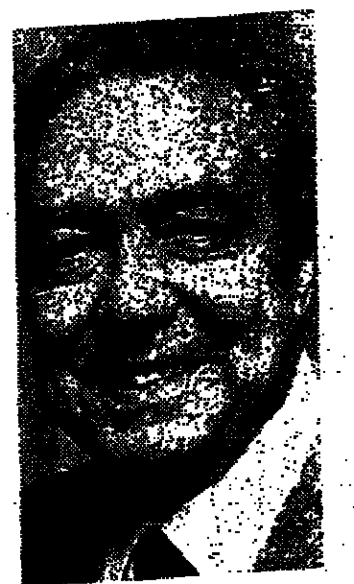
Total has since undertaken a major restructuring programmed, which has started to bear fruit. The group returned to profit in 1983, with earnings of FFr 420m and M Ortoli expects Total to show group earnings of between FFr 1.4bn and FFr 1.6bn in 1984. Moreover, Total's annual oil supplies have been recovering, increasing from 43m tonnes in 1983 to 45.1m last year. Although Compagnie Francaise de Raffinage (CFR), the group's large French refining subsidiary continues to lose heavily, M Ortoli says Total is "financially solid."

M Ortoli wants to use the group's sound financial base to acquire and develop reserves in politically and economically safe regions. M Ortoli's first three-year budget plan, embracing 1985 to 1987, envisages gross investments of FFr 39.7bn and net investments of FFr 33.4bn for the period.

The lion's share of these new investments will involve exploration and production activities. Exploration, with FFr 8bn, will account for 20.8 per cent of the total, while production and development, with FFr 20.8bn, will account for 52.4 per cent. In 1985, the exploration investment budget will rise to FFr 2.53bn, from FFr 1.94bn in 1983, while 1985 production investments will rise to FFr 6.85bn from FFr 4.8bn the year before.

Mr Ortoli is especially keen to develop Total's presence in the U.S. "Less than 3 per cent of the group's cash flow comes at present fromthe U.S.," says M Ortoli, adding that this is grossly inadequate and practically unique among major international oil companies. By contrast, Elf-Aquitaine, the other French oil group, has invested heavily in the U.S. with its not altogether happy 1981 acquisition for $2.5bn of the U.S. operations of Texasgulf. Total is also envisaging buying new reserves in the U.S. and does not exclude the acquisition of interests in American oil producing companies.

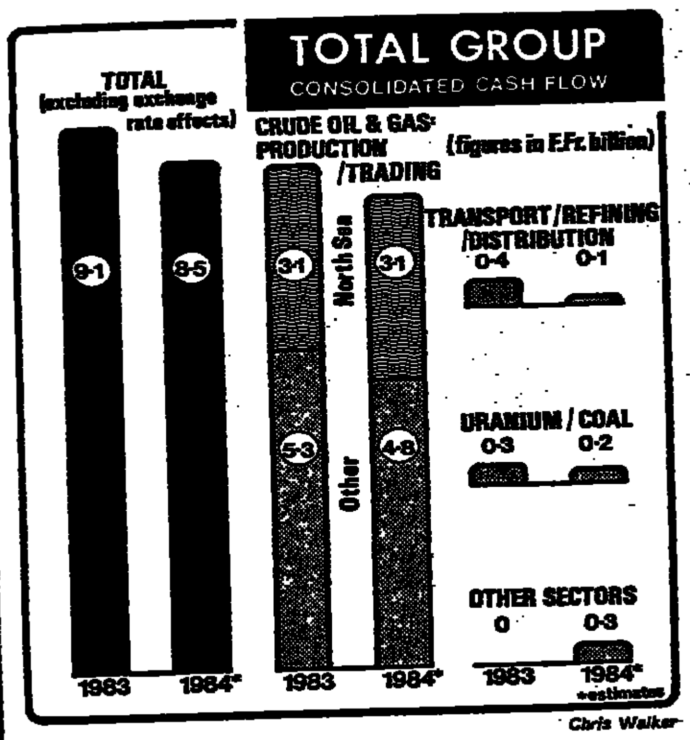
Out of total exploration expenditure of $257m this year, the French company plans to spent $63m in the U.S. Last year, it spent $38m in the U.S. out of a total of $190m.



M Francois-Xavier Ortoli: entrusted with a challenging task

M Ortoli's other major aims are to develop Total's trading activities and continue the rationalisation of the group's refining and petrol retailing operations. Mr Ortoli warns of the probable need to close more refining units in Europe in coming years. Total is also anxious to find a solution to its loss-making downstream operations in Italy, where it has so far unsuccessfully sought to sell its refineries and petrol station network. As for the group's diversification policy, M Ortoli indicates that Total will continue to develop "patiently" long-term position in the coal and uranium markets.

But M Ortoli is making no secret that his main ambition is to see Total concentrate on the bread and butter business of exploring for and producing oil. "We now intend to put the emphasis on the development of upstream businesses," he told the financial analysts this month. But it will inevitably take a few years to see whether the former politician will be able to transform Total into a more aggressive upstream oil group. Although the company has in recent months made a major effort to change its retiring public image, it is still striving to shake off its somewhat dowdy French reputation of being "la vieille dame d'Auteil."



Chris Walker

هكذا من الأصل

APPOINTMENTS

Midland Bank posts

Mr N. G. Blair, at present assistant general manager, lending services department, MIDLAND BANK, has been appointed regional director, City and London East, from May 31, following the retirement of Mr W. A. Barnett. Mr D. L. Whittingham, currently a corporate finance director, has been appointed an assistant general manager in succession to Mr Blair.

★

HABITAT MOTHERCARE has appointed Ms Rosemary Thorne as group financial controller. This newly created position will give Ms Thorne wider responsibilities relating to the financial management of the group and enable her to give greater assistance to the group financial director. She was group chief accountant.

★

TOWN CENTRE SECURITIES has appointed Mr Edward M. Ziff and Mr John K. Leadbeater to its main board.

★

Mr H. E. Farley has been appointed to the board of THE ROYAL BANK OF SCOTLAND GROUP. Mr C. M. Winter will be managing director of Williams and Glyn's Bank in addition to his duties as deputy group chief executive until September 30. Mr M. H. Davenport has retired from the group board and from the managing directorship of Williams and Glyn's Bank.

★

Mr John East has been appointed acting chief executive of the ENGLISH TOURIST BOARD. He has been with the board for hte last 15 years and is currently executive director liaison. He will take over as chief executive from Mr Andrew Thorburn on April 1.

★

After 2½ years as deputy managing director, HEINZ UK, Mr David W. Sculley is returning to Heinz U.S. as executive vice-president. Respective responsibility for sales and marketing, Heinz UK, has been assumed by directors Mr Bruce Purgavie and Mr Matt McBride.

★

PHILIPS FINANCE SERVICES has appointed Mr John Strudwick as managing director. The company is a wholly-owned subsidiary of Philips Electronics and Associated Industries. Mr Strudwick joins from the Forward Trust Group where he was a manager in the corporate finance division.

★

Dr Tim Simpson has been appointed managing director of INFOSCRIBE, which until March 18 was known as EI Printer Products, a Eurotherm company. The name was changed after the Eurotherm International Group acquired the California-based Infoscribe Inc. EI Printer Products had been the European licensee for Infoscribe Inc printers. Dr Simpson joined Infoscribe to supervise this transition. He had been managing managing director of Eurotherm, largest operating company in the group.

★

Mr Archie Thomas has been appointed managing director of ALTOS COMPUTER SYSTEMS. Prior to joining Altos, he was UK managing director of Molecular Computer.

★

Earl Ferrers, chairman of the British Agricultural Export Council, has joined the board of ECONOMIC FORESTRY GROUP.

★

APV HALL COMMERCIAL, Leighton Buzzard, part of the APV Holding Group has appointed Mr Alan Moer as managing director (previously commercial director of APV Hall Products), Mr George Lang as sales director (previously sales manager for APV Hall Products) and Mr Dennis Gilbert as engineering director.

★

Mr C. Derek Jackson has joined the board of HENRY WIGFALL AND SON, Sheffield, as a non-executive director. He recently retired as finance director of The Littlewoods Organisation.

★

Mr C. J. Rix will retire as director of the British Insurance (Atomic Energy) Committee and Associated Insurers Committee on June 30 when he will be succeeded by Mr A. C. Nunn. Mr Nunn retires as an assistant general manager with the Royal Insurance Group on March 31.

★

Mr Geoffrey Gilbert, chairman of Gilbert and Turnbull, has been elected president of the FEDERATION OF BUILDING SPECIALIST CONTRACTORS for 1985-86. The new senior vice-president is Mrs Sheila Kirk, director of K and T Fixings (Southern), and the junior vice-president is Mr Roy Heward, chairman and managing director of Ardmill Formwork.

★

Mr Terry Bramall, chairman of Bramall and Ogden Construction, Mexborough, has been elected president of the Yorkshire region of the BUILDING EMPLOYERS CONFEDERATION. Mr Bramall is also chairman of the Keepmoat Group.

★

THE EQUAL OPPORTUNITIES COMMISSION has appointed Mr Alan Hart, chief executive of the Metropolitan Borough of Wigan, a director. He takes up his appointment on July 1 following the retirement of Miss Marion Sindell.

★

HOLLIS BROTHERS AND E.S.A. has appointed Mr Cedric Carrick, managing director of the Education Supply Association, a director.

★

Mr M. L. R. Lunnon, Mr J. D. Dickinson and Mr J. T. Sheard have been appointed directors of MECRO.

FT COMMERCIAL LAW REPORT

No English hearing for groundnut action

THE SENNAR: House of Lords (Lord Fraser of Tullybelton, Lord Diplock, Lord Roskill, Lord Bridge of Harwich and Lord Brandon of Oakbrook): March 21 1985

A LITIGANT will be precluded from bringing an action in the English court if a foreign court of competent jurisdiction has already given final and conclusive judgment on the merits in respect of the same issue and the same parties; and a decision by the foreign court that it could not hear the action because the parties had agreed that another foreign court should have exclusive jurisdiction is a judgment "on the merits" in that it establishes certain facts, states the relevant principles of law applicable to such facts, and expresses a conclusion as to the effect of their application.

The House of Lords so held when dismissing an appeal by DSV Silo-und Verwaltungsgesellschaft MbH ("Silo"), dealer in groundnut expellers, from a Court of Appeal decision to stay its action commenced in the Admiralty Court against the owners of the Sennar and 13 sister ships.

LORD BRANDON said that in 1973 a string of contracts was made for the sale of 2,000 tonnes of Sudanese groundnut expellers.

The first was between a Sudanese company, Malik, as seller, and a Swiss company, Pagco, as buyer; the second was between Pagco as seller and GfG, a German company, as buyer; and the third was between GfG as seller and an English company, European Grain, as buyer.

All three contracts provided that 1,000 of the 2,000 tonnes sold should be shipped during July/August 1973.

In purported performance of the part shipment, Malik presented to Pagco, and Pagco took up and paid for, shipping documents including a bill of lading.

Pagco presented to GfG and GfG took up and paid for the same documents. GfG presented them to European Grain, who likewise took up and paid for them.

In the bill of lading the carrying ship was described as the Sennar. Loading was to be at Port Sudan and discharge at Rotterdam. The bill was signed by the Master and dated August 30 1973.

It contained a printed clause that the law of Sudan was to apply, and an exclusive jurisdiction clause providing that all actions under the contract of carriage should be brought "before the Court at Khartoum or Port Sudan, and no other court shall have jurisdiction."

After the end of August 1973 the market price of Sudanese groundnut expellers fell sharply. European Grain and GfG learnt that loading at Port Sudan had not been completed until September 7.

European Grain claimed as against GfG to reject the shipping documents and for repayment of the price. GfG claimed against Pagco, and Pagco against Malik.

The three claims went to arbitration and each was concluded in favour of the claimant. GfG, in compliance with the award made against it, took back the documents, including the bill of lading, and repaid the price. It then sought to recover on the award against Pagco, but was unable to do so because by then Pagco was insolvent.

Later GfG obtained possession of the goods by presenting the bill of lading at their place of storage in Rotterdam, and sold them to mitigate its loss.

On January 16 1975 it began an action against the owners of the Sennar in the District Court at Rotterdam, having founded jurisdiction there by arresting claimed DM 731,960 on the ground that the Master of the Sennar had committed a tort in misdating the bill of lading

The District Court dismissed the claim on the ground that GfG, as holder of the bill, was party to the contract of carriage, and was bound by the exclusive jurisdiction clause. The Dutch Court of Appeal upheld that decision.

By a writ issued on May 21 1980 Silo, successors in title to GfG, began an action *in rem* in the Admiralty Court against the Sennar and her 13 sister ships, claiming indemnity or damages for fraud, breach of duty or negligence.

The writ was served on the Merawi, a sister ship, in Liverpool, and she was arrested there. She was released on the giving of an undertaking, and the action continued as an action *in personam* against the owners.

The owners applied to the Admiralty Court for an order that the action be stayed on the ground that it should only be brought before the court at Khartoum or Port Sudan, and that Sudanese law applied.

Mr Justice Sheen dismissed the application but gave leave to appeal and granted an interim stay pending appeal. The appeal was allowed. The Court of Appeal granted the owners an indefinite stay.

On the present appeal the issue was, *inter alia*, whether Silo was estopped by the decision of the Dutch court from asserting that its claim did not come within the exclusive jurisdiction clause.

If an estoppel existed, it was "issue" estoppel. Having regard to *Carl Zeiss [1967] 1 AC 853* three requirements had to be satisfied to create issue estoppel.

First, the judgment of the earlier action must be (a) of a court of competent jurisdiction; (b) final and conclusive; and (c) on the merits. Second, the parties in the earlier action and those in the later action must be the same. Third, the issue in the later action must be the same as that in the earlier action.

Mr Mance, for Silo, accepted that the Dutch Court of Appeal was a court of competent jurisdiction, that its decision was final and conclusive, and that the parties in the Dutch action were the same as those in the English action.

He argued, however, that the Dutch decision was not on the merits, in that it was procedural in nature, consisting only of a decision that the court had no jurisdiction, and did not pronounce on whether the claim, if entertained, would succeed or fail.

Looking at the matter positively, a decision "on the merits" was one which established certain facts as proved or not in dispute; stated the relevant principles of law applicable to such facts; and expressed a conclusion as the effect of applying those principles to the factual situation.

If "on the merits" was interpreted in that way, the Dutch decision was a decision on the merits for the purpose of issue estoppel.

Mr Mance's argument on that point was misconceived and should be rejected.

He also contended that the issues in the Dutch action and in the Admiralty Court action were not the same.

The issue in the Dutch court, he said, was whether the claim could be founded on tort as distinct from contract, and if not, whether the exclusive jurisdiction clause in the bill of lading applied to it. By contrast, it was argued, the issue in the Admiralty Court was whether, even if the claim were in tort, it would still come within the exclusive jurisdiction clause.

There was no substance in that alleged difference. In both courts the issue was one and the same, namely whether, even though the claim was framed in tort rather than contract, the exclusive jurisdiction clause applied.

It was a classic case of issue estoppel created by the judgment of a foreign court of competent jurisdiction, in which all three of the requirements for such an estoppel laid down in *Carl Zeiss* were fully satisfied.

On the footing that Silo was estopped from denying the application of the exclusive jurisdiction clause, it was a matter for the exercise of the Court of Appeal's discretion whether to grant or refuse the application for a stay. Its decision was quite unassailable. The appeal should be dismissed.

LORD DIPLOCK, agreeing, said that the ability to found jurisdiction in many different countries by arrest of a ship, made maritime claims particularly vulnerable to forum shopping, of which this case was a blatent example.

When a plaintiff had already sued the defendant to final judgment in a foreign court of competent jurisdiction and lost, and then sought to sue the same defendant on the same facts in an English court, the defendant's remedy against such double jeopardy lay in issue estoppel.

Issue estoppel operated irrespective of whether or not an English court would regard the reasoning of the foreign judgment as open to criticism.

What "on the merits" meant in the context of judgments delivered by courts of justice, was that the court had held that it had jurisdiction to adjudicate on an issue raised in the cause of action to which the particular set of facts gave rise; and that its judgment on that cause of action was one which could not be varied, re-opened or set aside by the court that delivered it or any other court of co-ordinate jurisdiction, though it might be subject to appeal to a court of higher jurisdiction.

Lord Fraser, Lord Roskill and Lord Bridge agreed with both judgments.

For Silo: Jonathan Mance QC and Jeremy Cooke (Sinclair Roche & Temperley).

For the owners: Nicholas Phillips QC and Steven Gee (Holman Fenwick & Willan).

By Rachel Davies
Barrister

BASE LENDING RATES

A.B.N. Bank	13½%	Johnson Matthey Bkrs.	14 %
Allied Irish Bank	13½%	Knowsley & Co. Ltd.	14 %
Henry Ansbacher	13½%	Lloyds Bank	13½%
Amro Bank	13½%	Edward Manson & Co.	15 %
Associates Cap. Corp.	14 %	Meghraj & Sons Ltd.	13½%
Banco de Bilbao	13½%	Midland Bank	13½%
Bank Hapoalim	14 %	■ Morgan Grenfell	13½%
BCCI	13½%	Mount-Credit Corp. Ltd.	13½%
Bank of Ireland	13½%	National Bk. of Kuwait	13½%
Bank of Cyprus	13½%	National Girobank	13½%
Bank of India	13½%	National Westminster	13½%
Bank of Scotland	13½%	Northern Bank Ltd.	13½%
Banque Belge Ltd.	13½%	Norwich Gen. Trust	13½%
Barclays Bank	13½%	People's Tst. & Sv. Ltd.	14½%
Beneficial Trust Ltd.	14½%	Provincial Trust Ltd.	14½%
Brit. Bank of Mid. East	13½%	R. Raphael & Sons	13½%
■ Brown Shipley	14 %	P. S. Refson	14 %
CL Bank Nederland	13½%	Roxburghe Guarantee	14 %
Canada Perm'nt Trust	13½%	Royal Bank of Scotland	13½%
Cayzer Ltd.	13½%	Royal Trust Co. Canada	13½%
Cedar Holdings	14 %	■ J. Henry Schroder Wagg	13½%
■ Charterhouse Japhet	13½%	Standard Chartered	‖13½%
Choulartons**		TCB	13½%
Citibank NA	13½%	Trustee Savings Bank	13½%
Citibank Savings	¶12½%	United Bank of Kuwait	13½%
Clydesdale Bank	13½%	United Mizrahi Bank	13½%
C. E. Coates & Co. Ltd.	14½%	Westpac Banking Corp.	13½%
Comm. Bk. N. East	13½%	Whiteaway Laidlaw	14 %
Consolidated Credits	14 %	Williams & Glyn's	13½%
Co-operative Bank	*13½%	Wintrust Secs. Ltd.	13½%
The Cyprus Popular Bk.	13½%	Yorkshire Bank	13½%
Dunbar & Co. Ltd.	13½%		
Duncan Lawrie	13½%		
E. T. Trust	14½%		
Exeter Trust Ltd.	14 %		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	14½%		
■ Robert Fleming & Co.	13½%		
Robert Fraser & Ptns.	14½%		
Grindlays Bank	‡13½%		
■ Guinness Mahon	13½%		
■ Hambros Bank	13½%		
Heritable & Gen. Trust	13½%		
■ Hill Samuel	§13½%		
C. Hoare & Co.	†13½%		
Hongkong & Shanghai	13½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10½%, 1 month 11.25%. Fixed rate 12 months £2,500 11.75%, £10,000 12 months 12.00%.
† 7-day deposits on sums of under £2,000 10½%, £2,000 up to £10,000 11½%, £10,000 up to £50,000 11¾%. £50,000 and over 12%.
‡ Call deposits £1,000 and over 10½%.
‖ 21-day deposits over £1,000 11½%.
¶ Mortgage base rate.
§ demand deposits 10½%.
** See Provincial Trust Ltd.

Stock Exchange liberalisation

Lloyds: avoiding a 'macho man' image

David Lascelles reports on the UK bank's current strategy

THERE HAS been a conspicuous absentee from the rush by UK banks to forge alliances with stockbrokers and jobbers in the City Revolution: Lloyds Bank, the smallest of the Big Four clearing banks.

Defying the fashion, Lloyds *has decided to pass by the* opportunity presented by the liberalisation of the Stock Exchange to buy a securities firm. This does not mean it has no intention of participating in the changes that are sweeping the City. But Lloyds will do so by "rolling its own"—hiring qualified people and building up a securities team in-house instead.

Whether this strategy will turn out to be wise or short-sighted, only time will tell. Many people in the City admit to acute uncertainty about whether the revolution will end in triumph or a bloodbath. But since all Lloyds' biggest competitors, including Barclays, NatWest and Midland are buying ready-made securities firms with an established market share, Lloyds could be behind the starting line at "Big Bang" when the markets are opened up next year.

This danger does not worry the people who run Lloyds from its headquarters in Lombard Street. "We do not want to be among the macho men in the securities market," says Robert Owen, 45, the former diplomat and Morgan Grenfell banker who is in charge of Lloyds' securities activities.

Even so, Lloyds is slightly defensive about its position. There is a view in the City that it failed to get the stockbroker it wanted, and is now forced to make a virtue of necessity. But Brian Pitman, the chief executive of the group, vigorously denies this.

"We talked to some stockbrokers to see what was going on," he says, "but we never got into serious negotiations."

Although Lloyds' view of the City Revolution is a minority one, it touches many of the concerns that its rivals weighed up before deciding to take the plunge. They have to do with the cost and risk of entering an unfamiliar market at a time of great upheaval, and the strong likelihood that participants in the Revolution will make little money, if not large losses.

"The core business of stockbrokers will change," says Pitman, 53, who has made his career in Lloyds on both the international and domestic side, and has held the top executive job for two years. "You may be buying a business that will not be there any more after Big Bang."

Pitman cites the high prices banks are paying to buy stockbrokers just as they are about to lose their monopoly. He also believes the very different cultures of banks and brokers will create problems as they try to merge their businesses into the new financial entities. As if that was not enough, he also fears the current bull market could end next year, just as the new entities are supposed to swing into action and subject them to intolerable strain.

Cautious

Owen says: "We are taking a consciously cautious and low profile approach. We have a serious question mark in our minds about the likely returns that we would get in the short and medium term." This concern about poor returns is shared by most other bankers who have made acquisitions, particularly as regards the gilts markets where more than 30 firms could be competing for business currently handled by half-a-dozen.

But those who have gone ahead would argue that low returns in the early stages are the price they must pay for a unique opportunity to get into a new business.

Again, Owen is unmoved. "We shall start from a lower base than the others," he admits. "But we do not feel excluded from this business for ever."

However, Lloyds will apply to the Bank of England to become a primary dealer in the gilts market, and is planning to set up a dealing operation with about £25m in capital, a figure typical of many banks, though smaller than some.

Despite his reservations, Owen feels that Lloyds must be able to deal in sterling securities because of its broader role as an issuing house and a dealer in the Eurobond markets. "We're not going in to gilts just because they're there." But since gilts dealing is not likely to be enormously profitable, it will probably reduce Lloyds' overall returns.

The gilts operations will be a subsidiary of a new company that Lloyds is forming to pull together its merchant banking activities, many of which are in its overseas banking arm, Lloyds Bank International, now being fully merged into the Lloyds Bank group for greater efficiency.

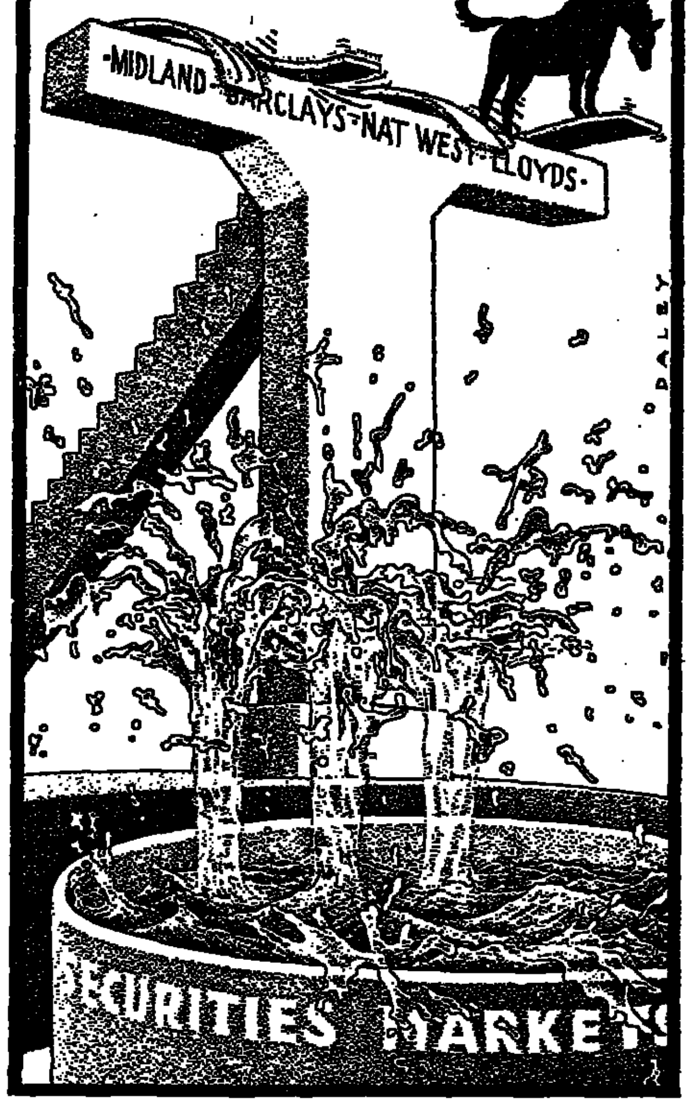
The new merchant bank will include capital markets activity, syndicated lending, swaps, Eurobonds, project finance, export credits, corporate finance, investment management (it will control about £3.25bn), and development capital. It depends on approval from the Bank of England, which Lloyds hopes will be forthcoming in the summer.

The restructuring should sharpen Lloyds' presence in the merchant banking market, though it looks like a tardy response to similar operations established by NatWest and Barclays in the 1970s. (Midland's merchant banking interests are in its 60 per cent-owned subsidiary, Samuel Montagu.)

Lloyds' group will evolve as a vehicle for trading securities rather than booking big loans, so its likely size is rather hard to gauge. Owen and Pitman clearly have figures in mind, but they are not disclosing them just yet.

Although most of Lloyds' securities business will be at the wholesale level with corporate customers, the bank is looking at ways of bringing investment services to its retail customers as well.

Fred Crawley, the chief general manager in charge of the UK bank, is keen to exploit the fact that Lloyds is a little more up-market than the other clearers and has wealthier



clients. His views are strongly influenced by a spell running Lloyds Bank in California, where banks first went into discount broking.

Lloyds is just about to launch a new asset management account, a kind of banking-cum-investment account with financial counselling services attached. The auguries for this are not that bright given that Allied Hambro tried something similar last year without signal success. But Crawley says: "I think we can back it up with proper banking services which they could not. But I agree it's not a massive market."

Crawley is full of ideas for selling services through Lloyds cash machine lobbies and even branches of its Black Horse Agencies, the estate agency business which Lloyds has developed into the largest in the UK since launching it three years ago. He also foresees Lloyds going into the discount broking business itself.

Being smaller than the other clearers, Lloyds people tend to talk about quality rather than quantity, about capital strength and return on equity rather than sheer size. Not that Lloyds is that tiny: it is about 30th in the world league and matches up to J. P. Morgan, the fifth largest bank in the U.S. A recent survey showed that its concentrated efforts in the New York foreign exchange market had won it 13 per cent of all trades in DM there, and 11 per cent of Swiss francs.

Pitman says of the bank's broad strategy: "Though we want to be a broadly based competitor, we believe we have got to make a choice. We must concentrate our efforts on those areas where we have leadership or a special market position. If you clutter up the business with things you are not good at, you lose the race for the things you are good at."

International is brought into the fold

THE long job of creating one bank out of Lloyds Bank and Lloyds Bank International is going ahead on schedule and should be completed by the end of the year. The Act of Parliament which will formalise the merger and do away with the need to rewrite hundreds of thousands of contracts and agreements should receive the Royal Assent by about the middle of the year. In far-away Paraguay, they tell you proudly, the old Bank of London and South America, the core of LBI, has already been reborn as Lloyds Bank.

As Eric Whittle, the chief executive of LBI tells it, there are four reasons for the smaller bank to be merged with the giant British clearer. The first is that one consolidated balance sheet with share capital and reserves of £2,052m would give Lloyds greater flexibility than two balance sheets totalling the same amount.

With bank regulators in many countries becoming more demanding, the operations of LBI would clearly benefit by being backed by the full weight of the Lloyds Group in theory as well as in practice. Despite the fact that LBI is a wholly owned subsidiary of the Group it has to stand on its own balance sheet before some regulatory authorities.

One merged bank would also give greater flexibility as between Lloyds' Latin American operations and the rest. David Pirrie, LBI's senior director for Latin America and the architect of its present strategies in Brazil, denies that the merger need, of necessity, lead to any reduction of the importance of Latin America in the Group's operations.

The third reason is that economies will be able to be made in central services, including the merger of three existing boards of directors. Lastly there will be some tax advantages though the bank won't quantify these.

Lloyds denies that the absorption of LBI will lead to any particular contraction in the network of more than 100 branches that it has in Latin America. The bank is committed to maintaining, and, where possible, expanding, its principal South American retail operations, in Argentina and Uruguay. The bank still, for instance, maintains 24 branches in Greater Buenos Aires alone and has a popular charge card operation, while in Montevideo there is a head office and eleven agencies. A new branch was recently inaugurated in the Brazilian Amazonian city of Belem.

Pre-tax profits from all international operations last year totalled £180m, down from the 1983 figure of £189m. All was clearly not well with LBI profits, as was revealed in a leaked memorandum, much commented upon in the City, to the effect that earnings had been unacceptably low—no more than £4.7m post-tax in the first half of last year. LBI did well in the U.S. and Continental Europe but, after debt provisions, profits were down in the Far and Middle East and in Latin America.

The bank is keen to combat what it says are exaggerated reports of its exposure in Latin America. While it is unwilling to give exact figures, it says that the estimate of 228 per cent of shareholders' funds quoted last year by London stockbrokers de Zoete and Bevan was excessive.

Eric Whittle says that the process of getting the staffs of the two banks integrated is going well. When Lloyds first bought the Bank of London and South America, the staff of the latter, considering themselves something of a cosmopolitan elite, had reservations about being lumped in with the more earthly mortals of a London clearer. The feeling has persisted but has probably been blunted as Lloyds has gone ahead with the launching on January 1 this year of a merchant banking group, headed by Robert Owen, for which staff will be drawn from Lloyds and LBI.

Hugh O'Shaughnessy

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Winding up a private company

A private limited company wants to wind up its affairs at a time when it has only one shareholder (the other having died, leaving his shares to the surviving shareholder), no liabilities and its only asset is cash at the bank.

Would it be in order for a general meeting to resolve that the cash be paid to the remaining shareholder, and instead of the normal formalities attendant on a liquidation, a return be made to the Registrar of Companies under Section 353 of the Companies Act 1948 that the Company has no assets or liabilities and is no longer carrying on business?

A simpler way would be to file no annual returns (after the cash has been distributed) and to wait for the company to be struck off.

Responsibility for repair of gates

I am a non-farming member of a panel of trustees for a charity which derives its income from the letting of fields to local farmers.

The trust deeds seem quite clear regarding who is responsible for the repair and upkeep of fences (the tenant), and of field byres (the landlord/trustees), but a question of replacing gates which are beyond repair has caused some difference of opinion.

Can you please give any ruling, or generally accepted principle, as to whom should pay for replacement gates.

In principle we think that the upkeep of gates would fall on the person liable for the upkeep of the fences, in this case the tenant.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE ARTS

Wonderful Town

Michael Coveney

After *Merrily We Roll Along* and *Damn Yankees*, the enterprising Guildhall School in the Barbican comes up with a third musical collector's item, Leonard Bernstein's *Wonderful Town* (1952) with lyrics by Betty Comden and Adolph Green. That team had begun their "New York" collaboration with *On the Town* (1944) and Bernstein was to go on, via the brilliant *Candide*, to the best urban show of the lot, *West Side Story*, in 1957.

Wonderful Town, based on the 1930s Greenwich Village stories of Ruth McKinney, is a picaresque tale of two provincial sisters, Ruth and Eileen Sherwood ("Why, oh why-oh, did we leave Ohio?"), the first a budding fiction writer, the second a blonde honeypot with showbiz aspirations.

They arrive on Christopher Street, rent accommodation from a struggling painter, hit it off with a magazine editor, bump into a posse of Brazilian sailors who respond to but one word in English, and that, thank heaven, is "Conga!", charm the police force (all of whom answer to the name "Pat") and pair off with their respective amours and the promise of a rosy future.

All of which we wish, of course, to these final year Guildhall students. Jaye Griffiths and Maggie O'Neill show genuine promise as the sisters, and there is a well-judged lyrical editor from Bryan Torfeh. But most impressive, as usual, is the overall vitality of the company, so well directed by Martin Connor, so inventively choreographed by Cherry Gillespie. Any misgivings about students learning the tacky manners of musical comedy acting before they have discovered the art such acting requires, are blown away in a gale of ensemble high spirits.

The show is chiefly remembered for being the only stage musical vehicle for Rosalind Russell (Pat Kirkwood played Ruth in London, with Shani Wallis as Eileen), but Bernstein's score, although far short of being his distinctive best, is nonetheless replete with goodies: the driving conga, with its surprise melodic leaps; the superb company "swing" number with its vigorous syncopations and free associating lyric; the witty "What a Waste" with its classic litany of compromised artistic effort; and the generously romantic "It's Love."

No standards here, but good, honest, astringent writing by a master finding his voice. The band, under the direction of John Owen Edwards, plays with remarkable vivacity and indeed virtuosity. Performances all this week and more next week at the Arts in Cambridge.

Triple bill/Covent Garden

Clement Crisp

A first ray of hope and technical light came into the Royal Ballet's disastrous revival of *Ballet Imperial* on Monday with Fiona Chadwick's assumption of the leading role. Here was a performance which opened out the dance to its proper vistas of grandeur, clarity, classic exactitude. It was Miss Chadwick's second appearance in the part, and there remains much to be polished in her account, but the feeling of proud skill was right, as was her dignity and entire assurance when faced with Balanchine's tremendous cadenzas.

Very beautiful, and true in emotion, her leave-taking from her Prince (the noble Derek Deane, the best incumbent of the role in the present revival) as the second movement closes, which caught the music's dying fall and held it in a long emotional phrase as she moved from his arms and eddied back into the wings.

In sum, a reading of rare promise, and one which—if the ballet is re-studied and properly revised, and rid of its crass design—should rank with the interpretations of Moira Shearer, Nerina and Sibley, who have been the ballet's great heroines in London.

The rest of the performance was as distressingly inept as at this staging's first showing. By some weird alchemy the corps de ballet includes the more monumental legs in the company roster, and individuality is asserted by the laggardly timing among the ensemble. The second ballerina role does not suit Pippa Wylde, who looks stiff, laboured, and is dimly accompanied by Jonathan Cope and Mark Freeman.

No reproaches, though, to Lesley Collier who appeared as the Firebird at the end of the evening. The physical outlines of the dance were projected with a splendid freedom and largeness of impulse—this was a truly magical being—and the drama was at every moment as vivid as the movement. For once we sensed the struggle with Ivan (an intelligent reading by Julian Hosking) as a trial of wills, and the battle with Kastchey as something no less vital. The ballet has not had so much emotional tension for several seasons.

At the centre of the evening Michael Corder's *L'Invitation au voyage* continues to lure us into a world of revenants and dreams and strange longings. It is illogical, imprecise, and all the stronger for that; and well danced by its cast, its Chausson text beautifully sung by Colette Alliot Lugaz.

Television/Godfrey Hodgson

Indeed, a man of many parts

On March 21, 1960, at a time of tension during the African campaign against the pass laws, South African police fired on a crowd at Sharpeville, killing at least 69 men, women and children. Exactly 25 years later, last Friday, in similar circumstances, police at Uitenhage in the East Cape opened fire and killed 17 people.

By a sort of coincidence, *Nagging Doubt*, Jack Klaff's play about Sharpeville, went out on Channel Four a few hours after news of that fresh massacre reached London. Of course, it can be argued that the coincidence is only a trivial matter of the date; that the South African system is built on pervasive, latent violence, and that where and when it breaks through to the surface is of little consequence.

Whether you accept that view or not, there is no doubt that Klaff's play gained added force and relevance from the reminder that, however much or however little else has changed in South Africa, police there still open fire on crowds of unarmed Africans. It is not, however, a play that needs such reinforcement, for it is the most talented and powerful television drama I have seen for a very long time.

Klaff uses the well-tried technique of bringing an historical event to life both through the speeches of the great actors and through the eyes of "ordinary" people involved as walk-on characters, as bystanders, or as victims.

So we meet Chief Albert Luthuli of the African National Congress, launching his non-violent campaign against the pass laws; his competitor, Robert Sobukwe, of the Pan Africanist Congress; and the political heir of both of them, Nelson Mandela.

We hear the British Prime Minister, Harold Macmillan, expressing his conviction that the winds of change are blowing through Africa, and his doubts about the effectiveness of boycotts. And we hear the South African prime minister, Hendrik Frensch Vervoerd, intoning his certainty that "I do not have the nagging doubt of ever wondering whether, perhaps, I am wrong."

At the same time, we watch the drama unfold through the eyes of a South African white liberal family: Colin Lovell, "a typical sports-mad South African boy;" his mother, Marjorie, "housewife and lecturer in economic history," who tells the ladies' group that if silence is golden, it is also guilt; and his father, Eric who, because he is a journalist filing reports to London about the Sharpeville crisis, acts both as a participant and a narrator.

Roger Graef, left, and Jack Klaff

What makes this play a *tour de force* is that each of these parts—and, indeed, every one of the 17 parts written by the author, Jack Klaff — is also played by the actor, Jack Klaff.

Klaff is a young South African who, after studying law and then economics, did his national service in the South African army. He then came to London, where he studied at RADA and got a job with the Royal Shakespeare Company. In 1981 he appeared with his belongings in a rucksack on the fringe of the Edinburgh Festival, and produced this astonishing single-handed work. Since then, he has written and acted in two more plays, *The Fifty Minute Hour*, on psychiatry, and the black comedy, *Cuddles*.

As an actor, Klaff is a virtuoso. His performances at the Edinburgh Festival — in *Cuddles*, he takes no fewer than 43 parts—were achieved with minimal sets. He is directed in *Nagging Doubt* with masterly self-effacement by Roger Graef, who is known as one of our most talented documentary film-makers and is now reverting to his original craft as a drama director.

Minimal, symbolic sets and clever lighting do no more than accent the astonishing versatility of the insights Klaff can convey with his face, his body and his voice. Perhaps most remarkable is his ability not only to portray the black leaders credibly, but to make each of them a distinctly realised individual portrait.

The technical achievement is so stunning—"the wonder is that it is done at all," as Dr Johnson said about the woman preacher—that it is important to ask *why* it is worth doing. Or, to put it another way, Klaff is technically so competent that the danger must be that audiences will admire him for his mere cleverness at "doing take-offs." The question is whether any special understanding is achieved because one actor plays every part.

The answer ought to be, I believe, a qualified affirmative, for several reasons, one of which applies with peculiar force to plays like *Nagging Doubt*.

The affirmative must be qualified, I think, for the obvious reason (Klaff is too intelligent an actor not to be well aware of it) that his sheer facility—or, perhaps, energy and talent are better words, since there is nothing easy about doing what he has done—could be a trap. On the evidence of this play, he is not at present in any danger of settling for the superficially flashy; he has achieved a profound penetration into the viewer's mind.

There are, as I suggested, various possible reasons for this. *The first, which applies* particularly to a play like *Nagging Doubt*—which contains a strong, political plea for the proposition that all men are equal; or, at least, ought to be treated as if they were—is that when the viewer sees a poor black victim of a police atrocity played by the same actor who plays Harold Macmillan or Hendrik Verwoerd, he is subtly reminded of their common humanity. The point applies with even greater force where murderer and victim are the same man.

But Jack Klaff is not just playing a virtuoso variety of different characters. He also wrote all their parts. And there is an obvious advantage—no doubt to be set against compensating disadvantages, but still a mighty advantage—in having all the actors in a subtle and complex piece know exactly what was in the mind of the writer. Actors and writer are literally of one mind.

The most interesting reason of all for the same actor to play so many parts in a play written by himself goes even deeper. It is that we do actually apprehend the world in our own minds in a mode which is, in *certain respects, more similar* to this play than to conventional theatre. We are moved, that is, not by the real world, in its unknowable and meaningless diversity, but by a selection of ghosts and shadows we choose for ourselves from reality. Our emotions are touched by charcters of our own making, on the internal stage we carry round with us.

That is what Graef means, I think, when he talks about Klaff's technique offering a way out of the "trap" of realistic drama documentary. That is all in the dangerous realm of theory, however. What matters is that in *Nagging Doubt*, helped by Graef's superlative direction, Jack Klaff has achieved that rare thing: a work of serious art realised perfectly for the sloppy, populist, infinitely powerful medium that is television.

Enemies/Sir Richard Steele

Martin Hoyle

Maxim Gorky wrote *Enemies* in 1906, still influenced by the massacre of demonstrators on Bloody Sunday the previous year. It boils with anger at the arrogance of privilege, the insolence of office and the ignorance of bigotry.

Unperformed in Russia till the 1930s, and seen here only in 1971, the play places a total of 21 characters on stage and makes specific scenic demands. The little theatre above the Richard Steele pub between Chalk Farm and Hampstead, north London, has an ambitious stab at evoking this Chekhovian world turned abrasive. This country house presents us with the factory owner and his wife, ineffectual humanitarians nicely differentiated (she stiffens in the face of threats to their well-being more sternly than her liberally wavering husband); his brother, a sardonic, self-aware drunkard; the usual beautiful actress, whose guardedly expressed liberal sympathies are defined by personal feelings and who contrasts with the niece of the house, furiously enraged by injustice.

Zakhar's partner, a loud-mouthed bully, is shot by a factory worker. His brother, the local Assistant Prosecutor, sets up an investigation, requisitions a room in the house as a court, and begins to arrest peasants almost at random.

Besides the varying shades of bourgeois radicalism, there are vignettes of the dead man's unfaithful wife transformed into hard-faced widow; a professional agitator sent to stir up trouble; a self-educated and self-important clerk on the make, ideal informer-material; and such household oddities as the old general with a penchant for crass practical jokes of unconscious cruelty. An amazingly rich play, then, that ends with cries of rage from peasant prisoners lined up for questioning, written with painful obviousness from the heart in the midst of a bitter struggle.

The mutual suspicion and resentment between the classes is omnipresent, whether it takes the form of the desire to introduce the workers to culture or resigned incomprehension or fastidious loathing.

Ann Pennington's production gets it all on stage at the cost of acting that is patchy and occasionally awful — especially with some of the women, who swoop and flounce (bustles go to some actresses' heads, metaphorically speaking) and declaim with the limited emotional range that characterises the whole performance. The liberal factory-owner and his wife could be *funny*, for heaven's sake! Nick Ellsworth's beautifully controlled drunkard, ironic and self-deprecating, and a ruthless Prosecutor from Anthony Sergeant, furtively rigid with desire for the actress, are in a class apart. The Richard Steele is worth cultivating; a fine acting space, interesting plays, and a total lack of subsidy that makes one admire, even while in this case regretting, their over-weening ambition.

GLC jazz/Festival Hall

Kevin Henriques

For some time now the Greater London Council has been providing, at no charge, foyer and café entertainment within the Festival Hall — happily, much of it jazz. On Friday, Saturday and Sunday evenings the bright, welcoming Riverside Café concentrates on duo jazz. Last Saturday cornettist Digby Fairweather and pianist Brian Lemon attracted, and generally retained, the attention of what inevitably was mainly a transient audience basically more intent on obtaining the nourishment of food rather than music.

Without microphones and battling intermittently against the rumbling of passing trains, Fairweather / Lemon played three sets of satisfying melodic tunes. The former is an idiosyncratic player. He delights in squeezing the sound from his horn. He loves those half-valve effects to such an extent that sometimes it sound a fearsome effort and the notes emerge somewhat strangulated. Yet, he is an accessible musician. His repertoire is familiar, but he is resourceful enough to bring freshness to sturdy standards, on this occasion notably "These Foolish Things" and "Mean to Me."

Pianist Lemon contributed aptly throughout, though much of what he played was lost to listeners not close to him.

Fortuitously, Fairweather's latest recording is also a duo setting, but with Stan Barker from Lancashire on piano. *Let's Duet* (Essex Radio SRT4KL311) contains 10 high-quality songs that capture the vital essence of Digby Fairweather right now.

Jazz is well represented—and heard in more favourable conditions, including a sensible degree of amplification—in the Festival Hall's foyer programme. Attracting a mainly drinking - eating lunchtime audience—sizeable and receptive, too—it offers slightly more ambitious presentations. On Monday, the John Petters Swing Band—in reality, a quartet—took listeners back to the Swing Era.

Drummer Petters, a young man, is an unashamed disciple of the jazz of Benny Goodman and Gene Krupa. His drum style, modelled closely on Krupa's—effects on oft-closed hi-hat, his use of the bass drum and side drum, etc—sets the mood for this neat, swinging group whose selections are almost entirely from the Goodman Era. "Seven Come Eleven" and "A Smooth One" were among Monday's genuflections to the King of Swing.

Oddly though, the band's youthful clarinettist, Pete Neighbour, is not a Goodman clone and his sharp attack and adventurousness evoked the later, more modern specialists on the instrument such as Buddy de Franco and Tony Scott. Conversely, on alto-sax his approach is more redolent of swingers such as Johnny Hodges and Willie Smith.

An accurate idea of the band's sound and impact on live audiences can be found on its LP, *Stealin' Apples* (obtainable from specialist shops). Not included on it is singer Maxine Daniels, remembered from some years past as a dance band vocalist, who on Monday sang several standards in a straight, pleasant manner that brought to mind Rosemary Clooney.

Nicholas Daniel/Purcell Room

David Murray

As an instrument to play, the oboe attracts musicianly performers (in the sense in which some artists are more "painterly" than others); its show-off powers are narrow and special, but it responds wonderfully to expressive precision in line and phrasing. Even among this musicianly tribe, Daniel stands out—certainly, I haven't heard any young oboist (he is only 23-ish) with his consummate control of the instrument, nor the scrupulously exact intentions that it serves. He is already a mature musician, and it was a little sad to realise during his Monday recital that, sooner or later, it will have to be orchestral music that tests his full range: there just isn't enough nourishment in the solo repertoire.

If only Schumann or Debussy, Bartók or Stravinsky, had addressed a full-scale sonata to the oboe! But they didn't (though if Debussy had lived a little longer, his three late chamber sonatas would have acquired a sibling for oboe, horn and harpsichord)—and Daniel played Britten's rich *Metamorphoses* in this same hall *last* year. So we got Dutilleux's expert but early Sonata, crisply delivered, and attractive occasional pieces by another half-dozen French composers. Among those, a Saint-Saëns "Nightingale" was notable for the dusky half-lights of Daniel's tone, and a Fauré miniature for its sober grace; Ravel's Habañera-Vocalise can be seductive on any instrument, and was so on this one.

An unfamiliar Sarabande and Allegro by Groviez gave Daniel room to exploit both the oboe's dense bottom register and its spectral treble with striking imagination. Paul Patterson's new *Duologue* proved to be fluent and lightweight, in the composer's most eclectic mood: a routine neo-romantic Adagio in the middle, a Scherzando with simple rhythmic jokes, outer movements in motor-staccato. But a Herbert Howells sonata, written for Leon Goossens 40 years ago and forgotten until last year, was rewarding far beyond my prejudiced expectations; though three of its four movements are marked "Placido" or "Tranquillo," it has troubled depths and bold musical invention. There, Daniel's accompanist, Julius Drake, was at his most sympathetic. Elsewhere, he was often too loud (a Purcell Room hazard for accompanists), and his chunky, pedal-heavy style is not a natural match for Daniel's elegant line.

Sponsorship/Antony Thorncroft

Gowrie hands out the prizes

It was prize-giving time yesterday for those companies that have responded to the spirit of the age and decided to sponsor the arts. Lord Gowrie, Minister for the Arts, was at the Guildhall to hand out 35 awards under his Business Sponsorship Incentive Scheme, which is designed to encourage such sponsorship by way of the Government adding £1 to every £3 of new money.

He chose for the occasion a presentation organised by the the Association for Business Sponsorship of the Arts and Association of Independent Museums, at which business was invited to inspect exhibits from 22 museums, all members of the AIM, with a view to backing such institutions—a form of sponsorship which is still under-exploited.

The money given by Lord Gowrie yesterday exhausts the £500,000 set aside for the BSIS in its first six months. In all, 57 arts organisations have benefited, attracting £2.5m in new sponsorship. From April, the BSIS has £1m to give away in 1985-86. Under new arrangements, existing sponsors can also qualify under the scheme, and, to attract small companies, anyone contributing more than £1,000 in a new link-up can qualify for a matching grant in Government aid.

Fortunately, two museums qualified among the 35: the Ironbridge Gorge Museum got an award for £21,000 for attracting sponsorship from Lloyds Bank, Lowe and Fletcher, and Private Pensions Plan (who have helped to create, respectively, a bank, a locksmith and a surgery of the late 19th century at Ironbridge); and the National Motor Museum at Beaulieu, which received £20,000 for sponsorship by the Wincanton Group of a permanent exhibiton of commercial vehicles.

Lord Gowrie was keen that arts groups outside London should benefit from his initiative, and just over half the money has gone to the regions. Among yesterday's awards of topping-up cash from the Government were £25,000 (the maximum available) to the Palace Theatre, Manchester, to boost a substantial contribution from Norwest Holst to finance a new production of *The Pirates of Penzance*; another £25,000 for the British Film Institute, in addition to the aid from Thorn-EMI, to buy a computerised ticket booking system for the National Film Theatre and the Museum of the Moving Image; £25,000 for the London Festival Ballet to bolster cash from Barclays Bank to finance a new production of *Coppelia*; and £25,000 for the Royal Photographic Society, from Kodak, to sponsor "The Living Body Exhibition" at the National Centre of Photography at Bath from May-November 1985.

Among other sponsorships that qualified for Government money were the Wavendon Allmusic Plan, which received £15,000, in addition to aid from Tesco (the first time the company has sponsored the arts); Sadler's Wells, £13,334 to bolster aid from the Prudential for a new production in October of *The Merry Widow*, which will then tour; £6,918 for the Bath Festival, which has managed to attract sponsorship from 50 companies, including Phillips, the auctioneers, and Harveys; and the National Arts Collections Fund, which gets £3,334 to add to Lex Services' money to produce a new, fully-illustrated guide to works of art in 40 UK museums.

Saleroom/Antony Thorncroft

Raymond sells war relics

Phillips is disposing of Paul Raymond's Theatre of War on June 5 in a sale on the premises at the Whitehall Theatre, London. Westminster Council has decided that the Theatre of War is an exhibition rather than a piece of live theatre, and so Raymond has been forced to sell up.

He expects to make £2m from disposing of the theatre's lease and from his collection of military memorabilia. He already has an offer for the theatre. Top prices on June 5 should be paid for the gold baton of Karl von Rundstedt (bids above £100,000 are expected), and for a Spitfire, which could also make £100,000. Other planes, which include a Mustang, a Messerschmitt and a Heinkel, should go for slightly less.

There will, however, be many inexpensive items, such as war-time ration books and song covers, in the auction of 300 lots which should make well over *£500,000*. The main problem will be removing some of the bulkier objects from the theatre.

Christie's began London's spring sales of Impressionist and modern pictures with a modest auction which raised £735,210 in the main morning session, with 21 per cent bought-in. The chief casualty was a Renoir, "Les bords de la Mediterranée, which was unsold at £50,000.

On the positive side, "Au haut des dunes," a beach scene by the Belgian, Theo van Rysselberghe, made £86,400, way above the £35,000 top estimate and an auction record for the artist. A tiny Picasso, "Poire, Verre et Citron," painted in 1922, realised £81,000.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 22–28

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, *Lionel* Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

Coriolanus (Olivier): Peter Hall's best production to date at the National, Ian McKellen a splendidly historic thing of war, thrilling use of the Olivier's arena architecture, Irene Worth never better as Volumnia. In all, a thoroughly lucid exposition of a great and complex play with an NT company that for once resembles an ensemble. (928 2252).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Little Eyolf (Lyric, Hammersmith): Ibsen's powerful drama of retribution strongly acted by Diana Rigg, Ronald Pickup and Cheryl Campbell but flawed by a pedestrian design. A great play not seen in London for 20 years. (741 2311).

The Lonely Road (Old Vic): Anthony Hopkins and Samantha Eggar in Schnitzler's affecting play of memory and regret, old age and lost love, played, a little obviously, as a Freudian casebook. Amid all the alienatory mumbling and white screens, Hopkins has a few strong moments of still, expressive desolation. Again, a collector's item. (928 7616).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (Plymouth): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which *changes gears in the second act.* (239 6262).

Noises Off (Brooks Atkinson): The closest Broadway gets to the British farce tradition is this import of Michael Frayn's funny backstage view of all the slamming doors and dropping drawers. (245 3430).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

Much Ado About Nothing (Folger): A recent reprieve on plans to close the theatre only coincidentally reflects the exuberance of this production, with its 1930s shipboard setting and interjection of such songs of the period as Night and Day. (546 4000).

My One and Only (Opera House): Tommy Tune teams up with Sandy Duncan for the road show of this disguised version of Funny Face, featuring the Gershwin tunes with new book and look. Kennedy Center (254 3770).

Henry IV, Part I (Eisenhower): The first production of Peter Sellars' tenure as director of the American National Theatre Company is bound to be interesting, if not controversial. (254 3670).

CHICAGO

Riches to Ragtime (Pheasant Run): World premiere of John Reeger and Ed Flesch's view of scams and fast talkers by combining Scott Joplin tunes with O. Henry characters. Ends Mar 31 (261 7943).

On the Razzle (Absolute): Michael Leavitt directs the local debut of Tom Stoppard's interpretation of the Johann Nestroy farce. Ends Mar 31 (327 5252).

TOKYO

Barefoot in the Park: The Japanese version of Neil Simon's play directed by Yutaka Kobayashi. Long Run Theater, Shimokitazawa. (414 0961).

Guys and Dolls (Takarazuka All-Girls' Troupe): This Japanese version given the full treatment in what is probably the show's most lavish production to date. Cast of 70 in a spectacular version of which the 20 minute finale is a special feature of this troupe. A speciality of Japan, Takarazuka is the counterpart of Kabuki where the girls play the men's roles. Takarazuka Theatre (near Palace and Imperial hotels). (591 1711).

Love Call (The Japanese version of Bells are Ringing), a musical comedy set in New York starring Akiri Fuse and Ran Ootori, Japan's most professional musical star. Geijutsuza, Yurakucho (591 7633).

Chorus Line: The Japanese version by the Shiki company, best-known for Cats, Japan's longest-running production (one year) and a sell-out. Nissei Gekijo, near Imperial Hotel. (320 4000).

Chita Rivera: Backed by a 20-piece orchestra and male dancers (one the original Cats' Mephistopheles) this dynamic and captivating Broadway star puts together a superbly exhilarating medley of songs and dances from famous Broadway shows. All in English, as an antidote to a tough day's negotiations with enough time for leisurely dinner afterwards in the Ginza, the show makes a rare and perfect evening. Hakuhinkan Theatre; Ginza. (571 1003).

Moral 11: written and directed by one of Tokyo's most dynamic female directors, Kisaragi Koharu, this fringe play is a high-tech piece about a Tokyo family set in the future. Dramatic and imaginative use of video and sound effects provide an apt commentary on the daily assault on the senses in modern-day Tokyo from noise, neon signs and graphics. Shibuya Parco Space 3, 8th floor. (477 5858).

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 8954871

Telephone: 01-248 8000

Wednesday March 27 1985

Leadership in education

THE GOVERNMENT has shown odd timing in publishing its White Paper called "Better Schools" when the schooling of thousands of children is being disrupted by teachers' unions. But the coincidence, while unfortunate, points aptly to the pressing practical problems that need to be overcome if the schools are to improve their service to their pupils and the country as a whole.

The protest by teachers who feel disparaged and underpaid is only a sympton of numerous deeper-seated ills. What the 450,000 school staff have been trained to teach is in large measure out of line with the needs of children growing up to live in a society dependent on exploiting advanced technology.

Curricula concentrate on imparting knowledge about academic subjects to the neglect of developing pupils' practical understanding and skills. The minority of children with aptitude for and interest in subject learning are mostly led by the dominance of public examinations into increasingly narrow specialisation from an early age, usually in either numerate or literary studies but not both. Children whose intelligences run in more down-to-earth directions are mostly offered only a watered-down version of the standard academic curriculum which rarely either pleases or profits them. Often the main effect is evidently to give them a distaste for formal study which lasts for the rest of their lives. The institutional separation of training from education helps to saddle training with the image of an activity fit only for people aged 16 upwards who have failed in education.

Damaging

All of these faults underlying a state education system costing taxpayers about £15m a year have been known about for years. They were under continual public discussion long before being criticised as economically and socially damaging at prime ministerial level in 1976, when Mr James Callaghan opened his so-called great debate on education. Today, three Education Secretaries later, the same debate continues. So do the same major faults.

What seemed to distinguish Sir Keith Joseph from his two immediate predecessors at the Education Department was that he not only saw more sharply the roots of the problem, but was determined to remedy it. In 1984, just over two years after going to the department, he called for reforms which aroused enthusiasm among teachers and educational officials despite the Government's economising on public spending, including teachers' pay rises. The aim of his suggestions was to raise the educational attainments of all children so that 80 to 90 per cent would in future achieve the level of success at present expected of only half.

Those proposals and others which Sir Keith has made since are repeated expansively in the White Paper. It also outlines the various schemes, again almost all announced previously, which the Education Secretary has started with a view to making the reforms he wants a reality. But compared with the boldness of the aims, the attempts to achieve them are hesitant and piecemeal. For example, there is no longer even a trace of his originally radical ideas for improving state schools' responsiveness by increasing their exposure to market forces.

Appraisal

The prescribed treatment of the ills now seems largely limited to a mixture of exhortations and committee inquiries and pilot projects on a range of disparate topics. The power to decide whether or not to make the reforms remains with local education committees despite the Government's proposal to centralise control of the in-service training of teachers and its repeated threat to impose systematic appraisal on school staff unless their unions and local education authorities agree to accept it voluntarily.

Meanwhile the authorities and biggest unions are locked in dispute and many teachers who were once enthusiastic about the proposed reforms are disrupting children's education for the second year running. The only way out that Sir Keith has offered the disputing parties is the hint that if they can negotiate some unspecified agreement on job conditions, he may be able to find some unspecified extra money. It is time that he stopped making suggestions from the sidelines of education and took a hand in its active management, with the emphasis on leadership.

Showdown in Denmark

THE NATIONWIDE strike against private employers in Denmark signals an acute stage in the crisis that has overtaken the system of centralised wage bargaining for which both the Danes and their neighbours in Sweden are famous. On the face of it, it is a classic labour dispute about wages and hours. But beneath the surface the entire system of wage determination has been challenged.

In broad outline, the systems of both countries resemble each other closely. In Denmark since 1899 and in Sweden for at least 30 years it has been the practice for wages and conditions of blue-collar workers to be negotiated at national level between the employers' and trade union federations.

Within the framework of these national agreements, industry-by-industry agreements and plant agreements provided limited scope for wage drift, that is, increases in labour costs above those provided nationally. Behind this institutional framework there lay, at least until recently, an unwritten deal. The employers got labour peace. The unions got a means to advance "wage solidarity" — increases weighted to be of more immediate benefit to the lower-paid worker.

During the period of post-war growth the system worked well enough. Both sides to the bargain got what they wanted. The rigidities which the system imposed upon the labour market were not obviously damaging.

Inflationary

Under the changed circumstances of the late 1970s and of the 1980s evidence accumulated indicated that something was wrong. Wage settlements on both sides of the Sound began to be inflationary. Differences of profitability between different industries and between enterprises widened. The better paid and those in the more profitable industries began to chafe under the solidarity system.

In Sweden and Denmark the problems were largely identical, but events took different courses. In Denmark the national wage agreement for 1983-84 was accompanied by a change of procedure which reduced the scope given to the well paid metal workers for topping-up pay during the lifetime of the agreement. This caused bad blood since it coincided with a period of good profitability in the engineering industry.

That is not the immediate cause of the Danish strike. But differences between the skilled workers in the export-oriented engineering industry and the union for unskilled workers greatly complicated the search for a settlement with the employers. The skilled wanted a moderate overall settlement with good extra money for themselves; the unskilled wanted a good increase for the badly paid, conjuring up the danger of a settlement that would have been inflationary overall.

In Sweden similar circumstances caused centralised bargaining to be suspended last year. This was followed by an inflationary push and a deterioration of the external current account. The Socialist government, which faces a difficult election campaign this autumn, decided that to regain control it must set a low inflation target of 3 per cent by the end of 1985 and bring the unions to support it by limiting the increase of labour costs to industry to 5 per cent. Success would provide a real increase in purchasing power, however narrow.

Incomes policy

This amounts to a voluntary incomes policy which the government is prepared to back with tax changes to increase disposable incomes if inflation remains too strong to let real wage rises materialise. In Denmark, too, the likely outcome of the struggle will be an incomes policy consisting of a legally imposed settlement shored up possibly with tax measures and some controls.

The Scandinavian experience with centralised bargaining is mixed. It has functioned well enough in circumstances of prolonged growth. In more difficult times it has not lived up to expectations. The underlying social consensus has served both countries well. But dangerous pressure could build up if no scope is allowed for greater flexibility in labour markets and wage determination.

Nakasone's imprint on Japan

Yasuhiro Nakasone and a cartoon from the Yomiuri newspaper. In front are Tanaka (towel on head) and Takeshita. In the back bath (labelled "the post-Nakasone bath") are Abe and Miyazawa with Abe saying to Takeshita "Take-chan, come and join us"

One step forward and half-a-step back

By Jurek Martin, Far East Editor, in Tokyo

OFF AND on over the last couple of months, the people of Japan have had an alternative TV entertainer to fill their afternoons.

He may not have the heroic stoicism of the samurai soap opera hero or the powerful nobility of the sumo wrestler, whose air time he often pre-empts, but Yasuhiro Nakasone answering questions for hours on end in the Diet is an undeniably impressive performer. Articulate and relaxed, nimble of mind as he swtiches from subject to subject generally without reference to notes, and sometimes funny, he is very much in his element.

But it is a show on which, in the opinion of most observers of the Japanese political scene, the curtain is going to come down soon. Nobody likes predicting exactly when, though, after 28 months, the end of the run is almost certainly closer than the beginning, but everybody knows why; the presumed major shift in the political balance of power inside the ruling Liberal Democratic Party brought on by the illness of Mr Kakuei Tanaka, the current Prime Minister's chief prop.

Left unanswered, however, is a much more difficult and important question, which is whether Mr Nakasone, who has created such a favourable impression in Washington, London and the Western capitals during his term in office, has made a measurable difference both to the way Japan looks at itself and at its place and responsibilities in the world.

This is no idle, philosophical issue, but one with pressing, current ramifications. Japan is being asked, especially by its best friend, the U.S., for some substantial changes in the way it conducts its affairs. Though the framework is commercial—the product of a $34bn bilateral trade surplus with the U.S. last year and possibly a much bigger one this year — the implications extend to Japanese society, politics and national security.

Mr Nakasone has seemed to be the Japanese leader most receptive to the sort of international pressure to which Japan is now subject. The Reagan Administration, to put it bluntly, expects him, as a politician, to deliver at least a reasonable number of the goods.

In a generally collective society like Japan's, one of whose key premises is the avoidance of public conflict, individual leadership is hard to establish and even harder to sustain. In the often arcane world of Japanese politics, figures flit across the stage nke Burnham Wood en route to Dunsinane—six Prime Ministers in one decade, 1972-82, for example, six MITI Ministers in the last four years alone—but with generally minimal impact on the actual running of the country.

There are several specific reasons for this. Most Japanese politicians are, first and foremost, constituency MPs, intent on tending their electoral cabbage patches and little else; to be seen to be interested in the wider world may even be a handicap.

Most are also obliged to devote unbelievable amounts of time and effort to raising money, without which their political careers cannot flourish. An MP's salary, with allowances, can exceed £70,000 a year, but that is only a fraction of what may be needed. For instance, when Mr Noburo Takeshita, the Finance Minister, recently set up a political support group inside the Tanaka faction, each of the 40 MPs who attended the inaugural meeting was paid Y3m (£9,750) from Takeshita coffers. And Mr Tanaka, who did not approve (he said Mr Takeshita was trying to buy support "too cheaply") paid double that to the 40 who wanted to go but were induced not to do so.

Underpinning the system is a tacit recognition by all concerned (though not necessarily, as we shall see, by Mr Nakasone) that the country operates best when the politicians confine themselves to public theatre and leave the substance of policy to others, in the main the civil service and business. To reach the Cabinet, even to become Prime Minister, is more a testament to having played the political game well than a proof of broader abilities.

Both a player of the game and a loner

Mr Tanaka is the pre-eminent politician of the post-war years simply because he played it better than anybody else. But today probably only his well-endowed constituents from Niigata Prefecture have more than a scant recollection of his record as Prime Minister from 1972-74, beyond the normalisation of relations with China and a few new bullet train lines. But somehow, it all works — and well, given where Japan is today.

Mr Nakasone is a curious amalgam; he is both a player of the game, good enough to get Mr Tanaka's support and make it to the top, but a loner. His early idiosyncrasies — writing complaining letters to General Douglas MacArthur, for instance, or always voting in his Imperial Navy uniform—marked him out as a nationalist, which he very much remains, but in a rather narrow, symbolic sense.

But, as a politician, as he rose through the system, he was also known for the unusual talent of trying to master whatever briefs he was given. In the present climate, it is particularly significant that he is the first Japanese Prime Minister ever to have previously served at both the Defence Agency and MITI.

Since becoming Prime Minister, he has continued to nibble away at some of the shibboleths that, to the outsider, always seem so inhibiting of real public debate in Japan. He has not gone so far as to try to rewrite the existing "peace" constitution (an earlier ambition), but he has taken to turning up at the Yasukuni Shrine, which honours Japan's killed in action, in his official capacity and not, as his predecessors preferred, as a private citizen.

He has, after a few false starts, finally attacked the 1976 guideline that defence spending should not exceed 1 per cent of gross national product — probably much to the relief of his would-be successors who do not want to be saddled with the same problem. He has argued consistently that Japan must recognise that its security interests lie with the West. This may not seem much, but Japan professed to be traumatised as recently as 1981 when the then Prime Minister, Mr Zenko Suzuki, publicly referred to the U.S. "alliance." M Nakasone has, in sum, managed to broaden the dimensions of what public argument there is over national security.

He has also at times, and with only varying success, tried to take on the all-powerful bureaucracy. Trade concessions are probably not the most significant of these, though they are the most sensitive. But he may have wakened his countrymen, to a degree, to the fact that its civil service, for all its skills and qualities, is not always well equipped to handle complex international trading problems.

Mr Nakasone did not invent but has supported the denationalisation programme (NTT, the telecommunications authority, and the tobacco and salt monopoly) which, while nothing like that under way in the UK, is again likely to open the practices of the bureaucracy more to public scrutiny.

More important is his push for reform of the educational system, largely on the grounds that it embodies rigidities in its concentration on examination schedules and its rote learning that could harm Japan in the longer haul. In so doing, he is posing challenges to one of the most powerful entrenched Ministries, Education, the guardian of what is right and proper in Japan, which has seen its duties largely in terms of ensuring a steady supply of trained and compliant labour to Japanese industry.

Still distrusted within the political system

Mr Nakasone's own ideas on education reform seem sketchy. On the one hand, he calls for more "Japanese-ness" including the restoration of traditional family values (meaning women at home not in the labour force) and decries the perceived pernicious legacy of the U.S. Occupation, such as school violence. But on the other, he praises what is seen as an American attribute in the form of freer thinking and entrepreneurial spirit. He has at least set an interesting ball rolling.

And he has tackled education and other issues, too, in ways designed partly to circumvent the establishment. He has made extensive use of independent commissions. Unlike most of his predecessors, he has his own kitchen cabinet, running not only to politicians but to newspaper editors, younger academics who share his Western-oriented security viewpoint, and some old conservative mentors.

The mere act of so doing has not increased his popularity among his immediate peers. But it is simultaneously undeniable that a new generation of leaders in the civil service and elsewhere, is emerging in Japan. They are increasingly impatient with the conventional way of doing things, and they are getting closer to the top. The Ministry of Finance's surprisingly warm advocacy of an offshore financial market is probably the best recent example of this sea-change.

Mr Nakasone should not, however, be considered a blazing reformer. Most of his steps forward have been followed by at least half a step back. He seems largely uninterested in economic policy and indeed, under him, it has been more marked by conventional inaction. The country may quite like his decisive style but has not given him licence to take it down uncharted paths, a la Reagan or Thatcher.

Moreover, because public opinion in Japan is all but irrelevant to the disposition of power, he is still widely mistrusted inside the political system, as he has been for much of his career. His faction is only the fourth largest in the LDP and he is hemmed in politically by those who would rather have someone else in the seat of power.

He is also, curiously, afflicted by the fact that, no matter what he does or how fit he looks, he is perceived by the power brokers as the last of the old generation of post-war politicians who got their start together after the war—Tanaka and other living former Prime Ministers, Fukuda, Suzuki and Miki. The seers in Japan have decreed that the torch must soon pass to the "new leaders" (Takeshita, Shintaro Abe, the Foreign Minister, or Kiichi Miyazawa) or, in the event of a transition, to a caretaker veteran, like Susumu Nikaido or Shin Kanemaru.

And these are men who, for the most part, have been hiding their policy lights under bushels, with the possible exception of Mr Miyazawa, a relative economic liberal. They seem to be more conventional products of the system as it was.

On the other hand, though Japan has shown itself capable of changing direction completely (the abandonment of feudalism with the Meiji Restoration, the adoption of democratic forms after the last war), it prefers to avoid such catharses.

Mr Nakasone's achievement to date has not been revolutionary but to hasten the pace of those aspects of Japanese evolution in which he is interested. His successors, whenever they come, may find it easier to continue along the same road. They may do it, however, with a lot less style.

Men and Matters

Cannon takes Croda west

The British chemicals company Croda International underwent two breaks with tradition yesterday—a traumatic day for a company with strong family links.

Chairman, Sir Frederick Wood, handed the chief executive's job to a family friend, Mike Cannon. Immediately Cannon, previously the head of Croda's U.S. operation, declared his intention to run the company from New York in future.

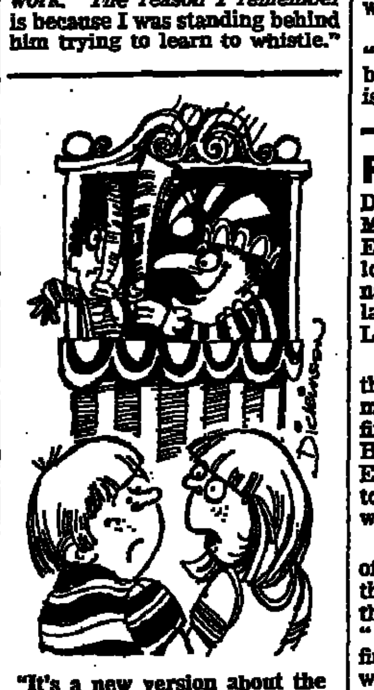
Some traditions run deep in Croda. Sir Frederick's father, A. P. Wood, joined the company as a 22-year-old in 1925 to help his uncle, the firm's co-founder. A couple of years later Wood, by then managing director, was looking for a company secretary, and hired a next-door neighbour—Mike Cannon's father.

"As a four-year-old," says Sir Frederick, "I remember my father standing in the drive whistling to Mike's father to join him in the car to go to work. The reason I remember is because I was standing behind him trying to learn to whistle."

In time the young Frederick joined the business, and so did his schoolboy chum, Mike Cannon. This is where the New York connection comes in. Sir Frederick went off to set up Croda's U.S. business, and in 1953 came back—"on an ocean liner, dressing for dinner," he remarks with nostalgia—to take on the job of group chief executive. His immediate successor as U.S. chief, needless to say, was Mike Cannon.

Thirty-two years later, his English accent remarkably unscathed by the experience, Cannon is still based in the U.S. He now proposes to spend three weeks out of four there dealing in the morning's with Europe's afternoon business, and then turning his attention to points west for the rest of the day.

"Given our origins," he says, "we've still got more bodies based in the UK. But the growth is in the U.S."



"It's a new version about the take-overs — they just hit each other with rolled up newspapers"

Roth's return

Donald Roth, chairman of Merrill Lynch's operations in Europe and the Middle East, is looking forward to living in his native U.S. again. He returns later this spring to head Merrill Lynch Private Capital.

Most of his 20 years with the "Thundering Herd" investment banking and brokerage firm has been spent abroad—Hong Kong, London, Middle East and Tokyo—and he expects to suffer some "culture shock" when he gets home.

But he is feeling a "twinge of regret" that after watching the beginning of deregulation of the London markets, he will "miss the opportunity to see at first hand, the changes which will lead to London gaining an even more powerful voice in the international capital markets."

Roth's departure will not dilute Merrill's desire to become a primary dealer in the new gilt-edged market, and to gain a seat on the London Stock Exchange. The firm, according to its annual report, is "dead keen" to be involved.

Following its plan to hire individual talent rather than buy London firms, Merrill has already taken on John Hutchinson, formerly with gilt jobbers, Wedd Durlacher. Merrill is now building its research side, ready to move into UK equity trading as well.

Roth will not be drawn on the likely identity of his successor in London, who will enjoy the Big Bang while Roth is looking after "ultra-high net worth individuals" back home.

Off screen

Jean-Jacques Servan-Schreiber (JJSS for short) is back in the news in France. He has told President Mitterrand that he is resigning this week from the World Computer Centre he founded three years ago in Paris to promote and popularise computer and information-age technologies.

His resignation does not lack a sense of irony. In the late 1960s, JJSS caused a revolution in France with his best-selling book "Le Défi Americain" which warned of the dangers of Europe being turned into a U.S. subsidiary by the sweep of American technological power.

He is now leaving the Computer Centre because the Socialist Government has opted for French equipment for the country's education system, whereas he favoured a programme involving the U.S. Apple computer.

But JJSS has never ceased to surprise. Good-looking and dynamic, he held centre stage in France in the 1960s and 1970s, but in recent years has played a less prominent public role.

After founding L'Express, the French weekly news-magazine modelled on Time and Newsweek and now owned by Sir James Goldsmith, he plunged into politics, founding a new Centre-Left party. He was a short-lived minister under President Giscard d'Estaing, being dismissed after his protests against French nuclear tests in the Pacific.

His reputation as an "enfant terrible" was confirmed by his exposure of the methods of the French army during the Algerian war.

In recent years, he has devoted most of his time to a crusade to promote computer technology and its applications in all walks of life in France.

The Computer Centre, which he is now abandoning, represents "the awakening of a popular conscience to the tools of the future," he says. But he also admits that the project was slow to take off and has by no means achieved, as yet, all its goals and expectations.

With typical panache, he said in a note published yesterday that the Centre still constituted "a fine adventure which will continue and which was born in France."

Close season

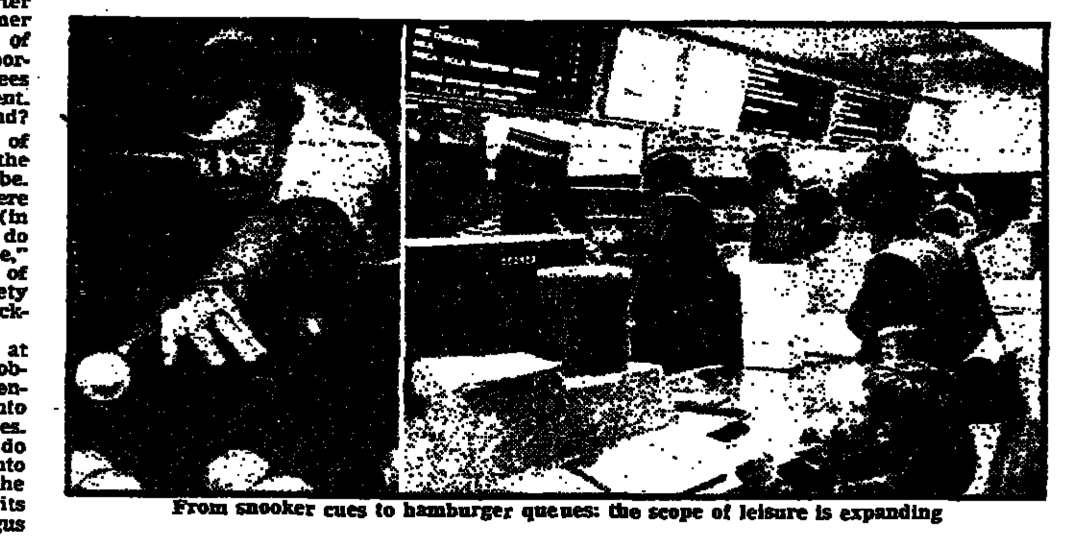
While the British Institute of Management threw a dinner in London last night for its retiring director general, a successor has not yet been chosen. As an official carefully explained. "Roy Close is going. The new chap is very close, you can say."

Fly wheels

A resident of a congested Wimbledon cul-de-sac phoned the local council to ask why promised "no parking" yellow lines had not been painted. "Our workmen haven't been able to do the job because of all the parked cars," was the reply.

Observer

UK LEISURE INDUSTRY



From snooker cues to hamburger queues: the scope of leisure is expanding

The buzz round a £50bn honeypot

By Arthur Sandles

THIS YEAR the British will spend nearly £50bn on leisure, something between a quarter and one fifth of all consumer spending. *It is a honeypot of* such vast and growing proportions that the investment bees are buzzing with excitement. The problem is: where to land?

For some it is a question of not really knowing where the next surge of growth will be. "In a few years I know there will be another division (in our group). At the moment I do not know which that will be," says Mr Cyril Stein, chairman of Ladbroke, talking of the variety of projects on the group's backburner.

For others it is a concern at the casualty rate and the problems of cultivating small, entrepreneurial businesses into large centrally-controlled ones. "We are in big business. We do not really want to be first into some of these fields," says the Rank director in charge of its holiday activities, Mr Angus Crichton-Miller.

The use of the word leisure, and any description of the size of the market, tends to lead to argument. If the broad industry definition is used—any activity involving discretionary income or *time—the net is thrown over* books and magazines, non-essential food spending, holidays and do-it-yourself. Analysts tend to lump everything from tobacco and drink to television and clothing (the "essential" element of clothing being minimal) into the leisure basket.

The diversity that is shown by the ingredients in this bouillabaisse of leisure makes corporate comparisons difficult. With notable exceptions, such as Trusthouse Forte and perhaps *Rank, most of the leisure* majors are conglomerates, many of the leisure activities of which stem from relatively recent acquisitions and only occasionally from a creative spirit.

Thomson Holidays, the market leader in travel, is a subsidiary of the Thomson Organisation and itself the result of purchases long ago of such companies as Gaytours and Sunair. Thomas Cook, the big travel retailer, is a Midland Bank subsidiary. Rank and Thorn-EMI are groups born of the rump of former leisure empires.

It is the minnows which provide the innovative spice: for example, First Leisure's plunge into the boom area of snooker halls, Kunick's theme parks (planning permission was announced yesterday for its proposed £750,000 venture in Wandsworth, south London), and Pineapple's Dance Studios. It is fascinating to note that while Ms Debbie Moore's investment attractions are perceived to have faded, it is old stagers like Lord Delfont of First Leisure and Sir Fred Pontin of Kunick who are now the City darlings.

What has caused particular problems in the leisure industries over the past 20 years is the decline of the mass audience *pastimes—spectator sport*, the cinema and even scheduled television—and their replacement by a complex array of leisure attractions. Rank and Thorn-EMI have endured the corporate agonies of adaptation to a decline in cinema audiences; the brewers have been forced to segment their market and erode the one-time single image of "The British Pub"; soccer and cricket are shedding their fans to games such as racket sports. It is significant that more people take part in the London Marathon than can be expected at the average London soccer match.

The trend has by no means halted. It is a key assumption in the predictions of industry analysts and leisure consultants that the next few years will see "greater fragmentation in leisure patterns and more varied and flexible use of leisure facilities, including the home."

Adapting to that fragmentation is not always easy. Rank's new chief executive, Michael Gifford, has turned from gongman to axeman in hiving off what he regards as superfluous activities (intriguingly enough it is non-leisure that has felt the blade), but the City now wants to discover what Mr Gifford plans to do in a positive way.

Small, entrepreneurial activities seem to hold little charm for the revamped Rank. "We know our strengths," says Mr Crichton-Miller. "We are at our best when we cater for a lot of people. We have the resources and the skills to make successes of volume businesses."

The Crichton-Miller argument is that innovators are all very well when innovating, but rapidly run out of puff when increasing size and passing time lead to demands for new management skills, training and sheer financial muscle. He cites Butlins—which looks like having a bumper year as the British return to their home shores for their holidays—as an organisation which, without Rank, would not have had the managerial or financial resources to meet changing consumer demands.

The Rank argument is that the leisure conglomerates are best off "fighting battles on grounds that suit them."

It may be this line of thinking that has steered the majors away from the "fashion" businesses, first of dance studios and more recently of snooker halls. One man who would probably reject that charge is Mr Stein, who has carved such managerial buzzwords as "entrepreneurial" and "synergy" *into group lore.*

Let us pass over the fact that at least one broker recently referred to Ladbroke as "no longer a leisure company, but a U.S. property operation," and look instead at its plunges into such varied projects as hi-fi, snooker halls, fast food and U.S. race tracks.

The Ladbroke basic tactic, where individual flair rather than organisational strength is the priority, has been to leave the innovator with a slice of the action. Thus it has only 70 per cent of Lanton Leisure, the Scottish-based snooker club operation, the rest being retained in the June 1983 purchase by its founder Harvey Fields. It has 75 per cent of Cabeltel communication, the cable TV operator manqué, and 75 per cent of Olivers, a fresh bread and coffee shop chain.

Through these substantial minority holdings, and through a share option scheme that bites deep into the rest of the corporate structure, Ladbroke tries to encourage entrepreneurs to resist the soft life of the executive chair and one eye on the pension.

Ladbrokes system of the purchase of small innovative businesses which need corporate muscle behind them helps to overcome one of the other problems of rapid expansion of businesses from within—middle and lower management. Imperial Brewing and Leisure chairman Michael Pickard reckons this to be one of the main obstacles, particularly in catering.

Mr Pickard is one of the breed of British senior management which is doing its best to change catering's lack lustre image.

Dozens of pubs have been converted into restaurants, others revamped to place a greater emphasis on food, and a string of "theme" projects have been developed.

With a reported £50m being spent over a five-year revamp period, Mr Pickard and Imps are following a path already well trodden by such American operations as Victoria Station and a strange chain that runs restaurants like World War Two officers' messes.

Mr Pickard tends to dot his conversation with the buzz-word, entrepreneur, but in his case he talks of the task of providing sufficient challenge and reward for such free-thinking spirits while harnessing them "with clear targets and responsible cost and quality control to the disciplines of a large company."

Just where these disciplines will be applied in future by the leisure major is a matter of considerable guesswork. The very volatility of leisure markets, amply demonstrated in the current season by the performance of the package holiday trade, tends to make normal prediction processes difficult.

As brokers Capel Cure Myers says ruefully: "As the events of the past few weeks have clearly demonstrated, economic forecasts are only as good as the assumptions upon which they are based." And forecasts are the backbone of the leisure industry. Nonetheless, Capel Cure Myers is optimistic, notably about hotels.

What seems to be universally agreed is a worry about the word "leisure." James Capel reckons that: "To invest in leisure has been one desire of both corporate and investment managers for the past few years. To acquire a vehicle which encapsulates leisure has been more difficult."

So problematic is the word, that Ladbroke has decided to drop it. "It is not specific enough. Now we call betting, and things like Olivers and Lasky's, retailing: the other activities that used to be in the leisure basket are called entertainment . . . we have taken the view that leisure is a word that is out of date."

Well, that's show business.

EMS and the private use of the Ecu

Why real integration should come first

By Wilhelm Nolling

FOR a long time people have concentrated more on the dark sides of the EEC than on the bright ones.

The only exception appears to be the EMS, which has been functioning without much fuss for two years. In addition, the Ecu market is growing in importance, a market which arose virtually by itself without the politicians doing anything. Not surprisingly, therefore, recent propositions focus on the encouragement of the use of the Ecu and on further developing the EMS: i.e. overcoming the still existing imperfections. The private use of the Ecu in particular has become strongly supported by Community institutions.

The German Bundesbank is being pilloried for stubbornly refusing to give the privately used Ecu the status of a currency. It prevents the appearance of private Ecu accounts in Germany and thereby is allegedly obstructing European monetary integration. Now is this really the case?

As a composite unit of account derived from the exchange rates of national currencies, the Ecu is not a legal tender, not money issued by a *monetary authority and there*fore not a currency. As "money" accepted for payment purposes it has only intermediate character. At the beginning and end of payment operations there is always a national currency.

The need for the private Ecus in transactions is by no means as great as its advocates would have us believe. And where it exists at all, it does not derive from a widespread desire for a European currency but from the wish to reduce exchange rate risks in intra-Community capital transactions. This conclusion can be drawn very clearly from an analysis of the Ecu market.

The high exchange rate risk can be taken to be the only reason why cross-border credit mediation is not based on national currencies. Apparently the current exchange rate structure in the EMS is not regarded as being as stable as it has been in the past two years. Consequently, private use of the Ecu reflects the continuing shortcomings in economic and monetary policy integration, which are also shown by the existing interest rate differentials, the price and cost disparities and the still effective *restrictions on capital trans*actions.

As the Ecu lacks the essential characteristics of a currency, the Ecu banks always have to refinance their loans in national currencies. Therefore, two cases might be imagined. Either the EMS central banks all pursue a tight monetary policy and therefore the scope for refinancing the Ecu loans is strictly limited and the expansion potential of such loans is low. Or one or more EMS central banks drop out of the "stability club" and are prepared "in the European interest" to refinance Ecu credits, at least in their own currency (for example, by accepting Ecu claims). But then tensions and exchange rate realignments in the EMS become inevitable. The softening influence of the Ecu turns out *to be dynamite for the stability of the system.*

Progress must be seen as the elimination of existing weaknesses

Campaigning for private Ecus is tantamount to flying under false colours. It pretends that there is a European currency already, although the preconditions for this have not even begun to be created (eg, uniform monetary policy, free capital movements).

For the Bundesbank, steps towards a European currency are conceivable only if institutional preconditions for a uniform European monetary policy have been created beforehand and agreement has been reached on a common European central bank system. But we are a long way from that point.

For Germany, committing monetary policy to maintaining price stability is indispensable, and since we believe that only an independent monetary authority can effectively meet that requirement an autonomous status for a European central bank is an essential of equal importance.

If we do not want to put the cart before the horse, progress in the EMS must not be defined as institutional further development. Instead, it must be seen as the elimination of the still existing weaknesses.

The UK *still does not* participate in the exchange rate mechanism. Nor does it show any intention to join in the foreseeable future. Italy is continuing to make use of the only transitionally intended margins of 6 per cent which were only intended for a transitional period because the inflation differential is still too wide.

The lack of economic convergence is causing France and Italy, among others, to adhere to their restrictions on capital movements which are pretty much of an anachronism, six years after the start of the EMS. In both countries the Ecu is recognised as foreign exchange but only for the reason, logical enough, that it can be subjected to the restrictions in force there on capital movement. For French citizens, for example, this not only amounts to a *de factor* ban on holding Ecu accounts but also prevents them from acquiring Ecu claims in unlimited amounts as their German neighbours may do. Therefore, any complaints about Germany *being hostile* to the *Ecu* can only arouse astonishment.

The Bundesbank supports all efforts which might lead to the removal of existing weaknesses in the EMS. The reduction of intra-Community restrictions on capital movements must be given priority, because free capital movements are the essence of the system and because they, in particular, generate strong pressure towards monetary discipline.

Each EEC member-country has its domestic problems and they must solve them within a national framework. The compulsion to exercise monetary discipline can help here. It represents something like a transmission mechanism for good policies. To get this mechanism to work, we need free capital movements and relatively narrow margins, not, however, an extensive private use of the Ecu and a premature further institutional development of the EMS.

The author is president of the State Central Bank, Hamburg, and a member of the Central Monetary Policy Council of the Bundesbank.

Letters to the Editor

A welcome new target

From Sir James Meade.

Sir,—The adoption by Mr Lawson in his recent Budget of the money GDP as a target of monetary and fiscal policy is *greatly to be welcomed for the* reasons so well expressed by Samuel Brittan in his article, *More interesting than it looks* (March 21). The Government has in fact accepted the obligation that, if money wage restraint threatens to reduce money spending below the GDP target, a mix of monetary-fiscal expansionary measures will be taken to maintain total money demand so that wage restraint leads to increased output and employment. A successful control of money GDP would finally settle the question whether wage restraint will lead to greater employment; the answer would be a clear "yes."

The one substantial argument against the adoption of the money GDP as the target for financial demand management is that the statistics of GDP are delayed and unreliable. The Government should now set in motion a major investigation by the Central Statistical Office and the departments concerned of the measures which are needed to improve this unsatisfactory position.

The needed improvement may well imply additional statistical work; but the issues at stake for the successful control of the economy are so great that there should be no hesitation to provide adequate resources to the statistical offices and to require the public to provide the necessary information.

But control of the money GDP is of no use as a means of promoting employment, unless it can be combined with the necessary degree of wage restraint. It is this side of the problem which presents much greater difficulty since it means that individual rates of pay must be set with much more emphasis on their effects on the demand for labour and with much less emphasis on their effects on the levels and distribution of real incomes.

This calls for a major shift of public opinion and of governmental policy away from wage-setting on to taxation, social benefits and welfare arrangements as the principal means for achieving decent, acceptable levels and distribution of real standards of living. Work done by the Institute of Fiscal Studies shows clearly that abundant resources could be made available greatly to improve by such means the standards of those at the bottom of the income pile whether in or out of work. But for this a combined reform of the tax and the social security systems is needed by a government which is politically prepared to ensure that those who are not in need do not call on government sources for financial benefits.

The two measures of wage-fixing reform and of tax-social-security reform must go hand in hand. To combine the abolition of wage councils with a refusal to contemplate the abolition of the totally unjustifiable tax-free lump-sum element in private pensions is not the way to encourage a consensus of agreement for the needed change of direction.

James Meade,
40, High Street,
Little Shelford, Cambridge.

Scheduled air services

From the Chief Executive of British Airways

Sir, — Your report of March 21 on the forthcoming Civil Aviation Authority hearings says that British Airways is fighting all applications by other British airlines for scheduled services to the Continent.

In fact, we are objecting to only two of the many applications for scheduled services. Both are efforts by other airlines to have us removed from routes that we currently serve in order that they may take over our licences.

That is substitution, which offers no benefit to the customer. We are certainly not objecting to competition, provided it is real competition and not just an attempt to eliminate us as a potential competitor.

That is the view we took throughout last year's debate on Airline Competition Policy and our views have not changed.

We have made representations on a number of other applications, but that simply means that we wish to exercise our right to ask questions and clarify important practical issues.

Colin M. Marshall.
Heathrow Airport, Hounslow.

Diesel engine economy

From Mr D. Broome

Sir,—Mr Davies' riposte (March 20) to my letter cannot be allowed to stand with its many contradictions and unsubstantiated claims.

He states that the spot market price of gas oil is "only 2.8 per cent" below that of petrol. Why then is the 13-14p difference in tax not reflected at the pumps? No rip off by the oligopoly?

He claims a "30 per cent improvement" in future petrol engine efficiency, and assumes that diesels will stand still. In fact small diesel engines are at the beginning of their development, and ceramics allowing higher working temperatures and improved transmissions show at least as much promise. (Ricardo dealt with most of the basic theory in the thirties!)

Short-term market forces are of course one of the determinants in price if (as I doubt) there is a truly free market for the consumer. The business of Government, however, is to plan for the long term so that people owning vehicles (and refineries) get the right signals, and that plant is not wasted when, inevitably, the price follows the energy conversion cost rather than the transient supply position. Wasteful use of energy should be taxed harder than economic use.

Oil is a premium fuel and should be treated accordingly, and refineries will have to be designed to recognise that petrol engines will become rarer in favour of more economic motors (not necessarily diesel!) We don't want to be left with a legacy of gas-guzzling when the current and transient oil glut is over. In the meantime, it still pays to use diesel, even at the artificially inflated differential.

Derek H. Broome
Potter's End
Mears Ashby Northampton

Future costs of pensions

From Mr R Colbran.

Sir,—Judy McKnight (March 18) in her attack on the Government Actuary clearly relies on few readers having his 1984 note readily to hand. Those that do will find a chart showing the future National Insurance contribution rates on seven sets of different and carefully specified assumptions, with basic pensions linked only to prices. A further chart shows the result, on all seven sets of assumptions, if basic pensions are linked to earnings. The range of possible contribution rates for 40 years hence is then from 10½ per cent to 25 per cent. Readers can take their pick.

Although current legislation obliges Government to increase basic pensions only in line with prices, it is unrealistic to consider future costs solely assuming that they will be held down in this way. On a 2 per cent economic growth rate this would mean that basic pensions would fall to less than one-half of their present relationship to earnings. Can anyone seriously suggest that this is likely to be allowed to happen?

Rather than pretending that Mr Johnston has overstated future costs, the more obvious conclusion is that no one can tell what the costs of the present National Insurance scheme would be in 40 years time. It might even be outside the range quoted. This means that Government should be very careful not to make promises which may lock future generations in to giving benefits quite inappropriate to the situation at the time.

R. B. Colbran.
Martin Paterson Associates,
10, Buckingham Place, SW1.

Back to real local politics

From Prof G. W. Jones and Prof J. D. Stewart

Sir—Too often in the past local government elections have been reported in the national press as if they were national opinion polls. That they are local government elections has almost been ignored. There has been little attempt to explain, or even to discuss, the increasing variations in these local election results between different localities.

At a time when local politics has become more vigorous, and the differences between local parties much greater, it is not surprising that there are significant variations in local election results. The readiness of a growing number of electors to distinguish their votes in local elections from their preferences in national elections has been confirmed by survey evidence.

The press has a major opportunity to raise the country's consciousness about this change in our political system in the coming county council elections. They should be reported as *local* elections and not just as indicators of the popularity of national parties and the Government at the centre.

G. W. Jones.
Professor of Government,
London School of Economics and Political Science.
J. D. Stewart.
Professor of Local Government and Administration,
Birmingham University.

A guide for rainmakers

From Mrs Adair Heimann

Sir,—In his article on March 16 Mr Cannon explores the possibility of a tax on rain. Would this old Provençal custom help to balance a future budget?

Médard, Bishop of Noyon (d. 560), patron saint of umbrella makers, was thought to control rainfall as his fête day fell on the supposed anniversary of the Flood. In times of drought unanswered prayers for rain turned first to threats and then to action. His statue was carried to a well and plunged into the water, where it stayed until he had seen reason.

Might not a tax-seeking official suffer a similar fate—in effigy—to induce more rain and thereby increase revenue?

Adair Heimann,
236 Allée des Temps Perdus
84300 Cavaillon France.

FINANCIAL TIMES

Wednesday March 27 1985

RADICAL POLICY REFORMS AIM TO BOOST NON-OIL EXPORTS

Mexico seeks to liberalise trade

BY DAVID GARDNER IN MEXICO CITY

MEXICO is shortly to introduce radical reforms in its trade policy in an effort to boost non-oil exports and force down domestic prices.

The measures are seen as a far-reaching attempt to liberalise trade and turn the attention of Mexico's business sector outwards from its traditionally captive domestic market. They are outlined in Mexico's letter of intent to the International Monetary Fund (IMF) on the third and final year of its austerity programme, and set out in detail in the integrated programme for export promotion, the draft of the reform now being circulated to the private sector.

The main features of the measures are:

● The cumbersome system of import licences will be replaced by a tariff system. About 15 per cent of imports have already been switched to tariffs and this portion is to rise this year to 35-45 per cent. The number of tariffs will also be reduced from 10 to seven, which, with certain exceptions, will run from 10 to 50 per cent.

● Exporters will be allowed to import up to 40 per cent of the value of their exports free of import licences, tariffs, and value added tax (VAT). A much freer system of "temporary" imports, particularly of machinery and equipment, will be instituted for all exporters; and the "in-bond" or *maquiladora* plants that dot Mexico's frontier with the U.S. will be able to sell up to 20 per cent of their output to the domestic market.

● Goods produced domestically will not be protected from this liberalisation of imports, and, where the price of local products or raw materials is more than 50 per cent over the international price, automatic import licenses will be granted for competitor products. Domestic suppliers to exporters will, however, be exempt from VAT.

● The formation of trading companies with foreign capital is to be encouraged in a clear attempt to get multinational companies to open up markets to Mexican goods. The nationalised banks will be able to put up 50 per cent of the capital in these trading houses.

● Exporters will now get preference over companies substituting imports in competing for government soft loans and credit lines. It is also understood that foreign investment projects with potentially high export revenues will be given a new priority.

The reforms are part of what is described as "a complete review of trade policy in order to rationalise the structure of protection." The object is to do away with an "indiscriminate import substitution model" so that non-oil exports gradually cover the country's import needs.

The sharp cut in imports that followed Mexico's financial collapse in 1982 – by two-thirds between 1981 and 1983 – means that non-oil exports now cover about 70 per cent of imports against 25 per cent in 1980. Imports are now returning to normal levels, however, while exports began to tail off sharply in the last quarter of 1984.

Senior Mexican officials believe that, with the majority of Mexico's $16bn a year oil revenues tied up for the foreseeable future in servicing the country's $96bn foreign debt, funds for development will have to be extracted from a non-oil export effort.

There is concern, however, that once the economy begins to revive, Mexican entrepreneurs, with little tradition of exporting and who have turned to external markets to keep their companies afloat during the present recession, will turn back to the domestic market.

There are signs that this is exactly what happened in the last quarter of 1984, but official figures are not yet available.

With oil revenues slightly up, last year's trade surplus is unofficially put between $12.5bn and $13bn, down from 1983's record $13.7bn.

In anticipating a hostile response from the majority of the private sector, long accustomed to a comfortably protected market, the draft reforms stress that it is not the intention to submit Mexican industry to "shock treatment" but to carry out "gradual and agreed changes" over three to four years.

Delay on Argentine bridging loan, Page 4

Europeans lagging in chemicals industry adjustment

By Paul Betts in Paris

WEST EUROPEAN countries are more vulnerable than other industrialised nations to growing competition from new petrochemical producers, especially Saudi Arabia, because they have failed so far to restructure and make the necessary adjustments to their industries.

This is the conclusion of two separate detailed reports published in Paris this week on the future of the petrochemical industry in the face of the emergence of new producers in the Organisation of Petroleum Exporting Countries (Opec) and other developing countries.

Both reports also warn against the temptations on the part of European producers to erect protectionist barriers against the new petrochemical imports from Saudi Arabia and other oil-producing countries.

The first report, a study by the Organisation for Economic Co-operation and Development (OECD), says that "certain established producers must resist the temptation to use the newcomers as scapegoats to explain away their own failure to adjust." The OECD also adds that it will be crucial "to maintain the framework of open international trade, and both industry and governments must avoid repeating the errors made in other sectors such as steel."

The second study, by the French Indosuez international banking group, argues that U.S. and Japanese petrochemical producers have tackled the problem more constructively than European countries by negotiating long-term supply contracts with Saudi Arabia. "In this way they will be able themselves to control the flow and the impact of the new production from the Middle East when they start coming on stream this year," M Jean Cheval, who worked on the Indosuez study, said yesterday.

European countries, he claimed, had so far not negotiated any long-term contracts with the Saudis. Although they had reduced European capacity in the ethylene chain (which accounts for the bulk of the new Saudi petrochemical units) by about 10 per cent, it was necessary to reduce European capacity by at least 15 per cent more, M Cheval argued.

Both reports point out Saudi Arabia's avowed intention to enter the petrochemical market in a cautious and orderly manner. Indosuez, while not minimising the problem, also says that the impact of new Saudi petrochemical production is often over-dramatised and exaggerated.

In the case of ethylene, the Saudis start off with a 60 per cent competitive advantage over Western producers because of lower feedstock costs, Indosuez calculates. The higher maintenance costs of the Saudi production facilities, however, bring down the advantage to around 25-30 per cent. The advantage is further trimmed back by the higher transport costs, giving the Saudis perhaps a 15 per cent lead over the West. "If you then apply the proposed European duties on Saudi products at around 13 per cent, you virtually eliminate the advantage and you can understand why the Saudis object to such a duty," explained M Cheval.

The OECD report expects annual methanol production capacity in the Middle East and North Africa to total about 2m tonnes by the end of the decade or almost 9 per cent of world capacity at that time. In the case of ethylene using ethane as feedstock, Saudi Arabia has three ethane crackers with a total capacity of 1.6m tonnes due to come on stream this year. Other projects in the Middle East could be delayed or postponed because of the Iran-Iraq war. The OECD calculates, however, that total installed ethylene capacity in the Middle East and North Africa will rise from about 800,000 tonnes today to about 2.4m tonnes in 1985-86, staying at that level until 1990.

The OECD calculates the likely export potential of this new ethylene production to be in the range of 1m to 1.5m tonnes of ethylene equivalent or about a quarter or a third of total international trade in 1990.

However, the range of export products will be limited because of the use of ethane as feedstock. Two products will be manufactured on a very large scale – polyethylene (especially linear low-density polyethylene with possible annual production of up to 1.3m tonnes by the end of the decade) and ethylene glycol with production of 1m tonnes.

The OECD report also points out that Canada has also the potential to become a petrochemical exporter of the size of the Middle East and North Africa but that it is difficult to estimate the development of the Canadian industry.

THE LEX COLUMN

Tail-wind for Aerospace

Selling the Government's remaining stake in British Aerospace is beginning to look a very easy job indeed; the City's response to yesterday's pre-tax profit increase of 46 per cent to £120.2m seemed to vary only between degrees of optimism, lifting the share price 20p to 398p. In the present market, such a price can reasonably pretend to be well supported by BAe's results and prospects, a marked contrast with the way the shares were viewed this time last year, when only something like the expected approach from Thorn EMI could have justified flight at this sort of altitude.

The way that perceptions have shifted is much more remarkable than the actual growth of profits. The market still has not much feel for the space part of BAe, which lost more money last year on less turnover, and is being re-thought in any case. Nor is there much sense of certainty about when the civil programme can hope to become a generator of cash, rather than a place to sink it.

But BAe's achievement in adding more than a point of margin across the whole range of its military side – that in a year when procurement policy was supposed to be tightening – says a lot for its increased efficiency. And the evident fact that Thorn and GEC alike apparently wanted to buy it for its technology – as much as for its customer base – indicates that BAe may begin to warrant a multiple of rather more than 7.

Enterprise

Enterprise Oil's maiden year has been as unblemished as a parent could wish. As expected, it has shown itself adept in turning short-life assets into cash, adding a further £36.6m in the year to December to what was already a substantial endowment. That it has failed to remedy a defect of its birth and at once transform itself into an oil company is equally unsurprising.

Yesterday brought good news of a rather negative kind: the sharp drop in production and cash-flow promised in the offer document for the end of this year has been delayed a further two years, when production from Arbroath and, at a pinch, last year's gas find could be in sight. But the loss of around 6,000 barrels per day from this year's expected production was less a matter of management thrift than delay in the Hutton and Beryl fields.

Enterprise is making a virtue of necessity in suggesting that it is no longer the distress buyer feared by other UK independents. But even the flurry of exploration and farm-ins has no more than dented its need for tax shelters for its production. If Enterprise does choose to solve its problems in one fell acquisition, it will be formidable in attack: it can deploy £138m in cash balances and can borrow up to £350m against producing assets.

Enterprise is now a better-shaped company than at its flotation last summer; but its managers have only three years to convince the major shareholder, RTZ, that they are worth their independence after the Government withdraws. And Enterprise has yet to do much to influence its own share price which, at 202p yesterday, is at a very modest premium to the flotation price. Others have been more fortunate.

Reckitt & Colman

After forecasting in February – with two months' hindsight – that it would make £105m pre-tax for 1984, it was odds on that Reckitt & Colman would flush out an extra £1m or so. The market, however, was unimpressed by the £106.4m turnout, marking the shares down 2p to 548p. There was indeed the occasional disappointment in the figures, notably the pre-tax loss in the U.S., mainly because of frost-bitten potatoes. But what the market now wants is to see Reckitt justifying its apparently expensive acquisition of Airwick.

The new company's strong U.S. presence makes the fit seem logical – there are plenty of economies to be wrung out of joint selling and marketing, and from one company with spare capacity making the other's products instead of contracting the work out. These benefits, however, will not work through until 1986.

Meanwhile, Airwick will do well if it makes enough to cover the extra interest cost of the acquisition. Even if the whole group earns £125m this year, earnings per share diluted by September's rights issue will only edge ahead. The shares, on a prospective p/e of 12, are rightly assuming no more.

Bid platforms

The concept of a large trade investment is not one that the market takes very seriously. Something like the 14.7 per cent slice of Rank Hovis that S. & W. Berisford has been sitting on since 1982 is destined to be sold advantageously – if not to Lord Hanson as rumoured yesterday, then to someone else who has a use for it. That Berisford is a willing seller at the right time and price has never been disputed: at 158p the stake is worth about £65m, over twice what it cost.

The case could be rather different for Norcros and its 36.5 per cent of UBM. Though Norcros too is showing a profit – and the rational thing might be for it to arrange a placing, or hand the bid obligation to some other player – the City of London seemed to prefer the idea of a renewed bid. Now that UBM has been rehabilitated, however, this does not seem nearly such a good thing for Norcros shareholders.

Inmos acts to cut costs at Welsh factory

By Jason Crisp in London

INMOS, the semiconductor company which is a subsidiary of Britain's Thorn EMI, has cut working hours at its plant in Newport, Wales by 20 per cent to reduce costs. The move follows an 8 per cent reduction in its staff at a plant in Colorado Springs and is the result of very weak sales.

A number of other microchip companies have been making staff redundant or cutting production in the U.S., including Texas Instruments, Intel and National Semiconductor, because of a collapse in the market.

Yesterday Thorn EMI shares fell 13p to 409p following a brokers' report predicting losses at Inmos of over £2m ($2.3m) in the first quarter of 1985. Thorn EMI confirmed that Inmos was making small losses in the quarter but added that all internal forecasts indicated it would make a profit in the full calendar year.

Last year Inmos made a pre-tax profit of £14.4m on sales of £110.8m, the first full year profit since the company was formed by the British Government in 1978. Thorn EMI was sharply criticised by the City of London when it bought the Government's 76 per cent stake in Inmos last summer for £95m.

Since it bought the company, the semiconductor industry has been going through its worst ever slump. Although Inmos sells premium products it has not been immune to the severe problems of the industry.

Sales of the company's main current product line 64k dynamic-RAMs – mass memory microchips – fell from 2.7m units in October last year to an expected 1m in March, according to stockbrokers Wood Mackenzie. The problem has been increased by a fall in prices of nearly 40 per cent over the same period.

The problems at Inmos mean plans to float the company in the U.S. this year are most unlikely. When Thorn EMI bought Inmos it suggested a possible flotation this spring providing market conditions were right.

In addition Inmos is having to review capital expenditure plans which were expected to be up to £30m a year. A new plant to assemble and test microchips at Coedrhedyn near Newport may be delayed. Inmos has already halted recruitment plans for the plant.

No decision has been taken on investment plans as the company is waiting to see if the market improves. The other major capital investment project will be at Duffryn plant where the company plans to start using 5 inch wafers to make the microchips. Inmos's weak financial position may increase its demands upon Thorn EMI for further investment.

GE charged over defence bill

BY PAUL TAYLOR IN NEW YORK

GENERAL ELECTRIC, the fourth largest U.S. defence contractor, was charged yesterday with "making and presenting false claims to the U.S. Government." The criminal charges relate to allegations that the group falsely billed the Government on a Pentagon nuclear warhead missile contract five years ago.

GE is the largest U.S. defence contractor ever to face such court action. The charges were filed by the U.S. Attorney's Office in Philadelphia. In addition to four specific charges against the company, a current General Electric manager and a former manager were also charged with making false statements to a Federal Grand Jury.

According to federal lawyers, General Electric defrauded the U.S. Government between January 1980 and April 1983 by charging more than $800,000 in labour cost overruns. The costs were accumulated by altering time-cards without the knowledge of employees, by submitting blank time-cards later filled in by managers and by charging some labour costs to other contracts.

The charges come amid a mounting congressional outcry about alleged over-billing by Pentagon contractors which has already led other large suppliers to offer partial refunds and spurred an industry-wide investigation by government auditors.

Earlier this week, Mr David Lewis, chairman of General Dynamics, the nation's largest defence contractor, offered to trim $23m from the $170m in overhead charges on several contracts. The offer, made by General Dynamics during congressional testimony, follows Defence Department allegations that the company had overcharged the U.S. Government by an estimated $63.3m, over a four year period.

Government charges against GE follow a four-year investigation into billing procedures at GE's space systems division which is a contractor for the Minuteman intercontinental ballistic missile – a U.S. nuclear warhead system.

At issue are time-cards submitted by workers at the re-entry systems operation – now part of the space systems division – five years ago. GE, seeking to minimise the impact of the charge, emphasised yesterday that it relates to only about 100 out of the 100,000 time-cards used at the facility during a nine-month period.

Ahead of yesterday's announcement of the charge the company emphasised that it has not been accused of conspiring to defraud the Government, nor is there an allegation of billings for services or products not received by the Government.

Rather, GE maintained that the charge relates to "complex contractual and accounting procedures" the Government alleges resulted in charges to the wrong phase of the contract.

GE said the charge was apparently a result of a Defence Department audit sighting potential incorrect charges as having a maximum impact of about $1m. The group, which said it has co-operated "fully" with the Government during the investigation added that it has offered to reimburse the Government for any improper charges.

GE and its subsidiaries received more than $4.5bn in military contracts in fiscal 1983, according to the latest Pentagon estimates available. GE, which does not detail profits on military contracts, had net earnings of $2.28bn on sales of $26.8bn last year.

UK employers moot political reforms

Continued from Page 1

then it inevitably comes into question." Western countries had to demonstrate that they had the answers.

Sir Terence said: "The further you go north (in the UK) the more these questions are asked. This document is about change – and change will be impeded unless we can do something about unemployment."

Sir James said: "The present Government has created more change than any government for some time – we should now take stock and look at it."

The 68-page document, in the form of a series of questions put forward to CBI members, will now go to the CBI's 13 regional councils and to its various standing committees for detailed review. It will be drawn together into a set of recommendations for endorsement at the CBI's November conference and will then be issued next January.

CBI officials yesterday highlighted the questions which cover parliamentary reform.

Sir James and Sir Terence stressed that the document was in no sense party political – although some of the leading questions raised on constitutional reform tallied with Liberal/Social Democrat Alliance strategy – and said that members' views on political and constitutional issues tended to change.

The document claims that there is a "new spirit of realism in the country – but that large structural and attitudinal problems remain to be overcome."

It says: "The UK's record has been persistently poor when set against those of our major competitors in the crucial area of productivity and pay, the largest element in labour costs."

On the credit side, however, "A revival of enterprise has occurred – even ignoring the 'black' economy, new and small businesses are increasing in numbers and the number of self-employed is growing rapidly. The downward trend in profitability has been reversed – evidence of improved management and providing the precondition for growth."

The document says that the new jobs which are emerging tend not to be in the areas of highest unemployment. Wage inflation remained stubbornly high, "increasing the pressure on employers to economise on the use of labour."

A dominant feature of the CBI's proposals is the need for changed attitudes: "Our ability to adapt to change would be improved if our present over-reliance on public provision could give way to greater private self-reliance.

"Change to Succeed," CBI, Centre Point, 103 New Oxford Street, London WC1 1DU; £7.50.

De Lorean suit may be dropped

Continued from Page 1

of the project by the all-party House of Commons public accounts committee.

The lack of earlier consultation is explained by shortage of time. There is a three-year limit on bringing actions under the Rico legislation, and this meant the department had to serve its writ by January to retain the chance of seeking redress in the U.S. courts.

Other government departments, such as the Department of Trade and Industry, with its own in-house legal team separate from the Treasury Solicitor's office, are less sure. The Department of Trade and Industry is understood to be concerned that the Northern Ireland Department has sought legal redress in the U.S. for actions which allegedly took place inside the UK.

The clearest example cited is the still outstanding $1bn anti-trust suit filed in the U.S. by the Laker liquidator against British Airways and British Caledonian,

Mr Don Hanson, Arthur Andersen's managing partner in London, said yesterday that the group had received no prior warning of the Government's decision to issue writs. "We have had no subsequent contact with the Government and are currently seeking advice with our lawyers," he said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	15	59	Dubrovnik	F	14	57	Malaga	S	19	66	Salzburg	S	15	59
Akrotiri	S	18	64	Faro	S	17	63	Malta	F	16	61	Seoul	F	12	54
Algiers	–	—	—	Florence	S	16	61	Manila	S	33	91	Singapore	F	31	88
Amsterdam	C	9	43	Frankfurt	R	10	50	Miami	C	25	77	Stockholm	C	1	34
Athens	S	18	64	Funchal	F	18	64	Milan	C	13	55	Strasbourg	C	12	54
Bahrain	S	22	72	Geneva	F	12	54	Moscow	S	5	41	Sydney	C	18	64
Bangkok	S	35	95	Gibraltar	S	18	66	Munich	S	14	57	Taipei	F	27	81
Barcelona	S	18	64	Guernsey	R	8	46	Nairobi	F	27	81	Tangier	F	17	63
Beirut	S	18	64	Helsinki	Sn	1	34	Naples	S	18	64	Tehran	–	—	–
Belgrade	S	16	61	H. Kong	C	22	72	New Delhi	S	32	90	Tel Aviv	C	22	72
Berlin	R	11	52	Innsbruck	S	14	57	New York	F	10	50	Tenerife	S	20	68
Biarritz	S	16	61	Inverness	C	4	39	Nice	S	14	57	Tokyo	C	18	64
Blackpool	F	7	45	Istanbul	C	10	50	Oporto	F	15	59	Toronto	F	8	46
Bordeaux	C	12	54	Jersey	C	9	48	Oslo	C	3	37	Tunis	F	16	61
Brussels	C	10	50	Jo'burg	F	27	81	Paris	R	10	50	Valencia	S	23	73
Budapest	S	14	57	Las Palmas	S	21	70	Prague	C	11	52	Venice	F	12	54
B. Aires	F	22	72	Lima	F	27	81	Reykjavik	S	-1	30	Vienna	F	13	55
Cairo	S	26	79	Lisbon	F	15	59	Rio de J'o	C	35	95	Warsaw	S	13	55
Cape Town	S	24	75	Locarno	F	11	52	Rome	S	16	61	Zurich	F	13	55
Caracas	C	28	82	London	R	6	43								
Casablanca	S	16	61	Los Angeles	C	18	64								
Copenhagen	C	4	39	Luxembourg	C	8	46								
Corfu	C	17	63	Madrid	S	13	55								
Dublin	C	8	46	Majorca	S	20	68								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder H–Hail

Star wars invitation

Continued from Page 1

remain consistent with U.S. obligations under the anti-ballistic missile (ABM) treaty, while European defence ministers are said to have expressed their "unanimous" approval for the $26bn research programme.

Herr Manfred Wörner, the West German Defence Minister, for example, emphasised that it was important to match Soviet research while Soviet concern at the U.S. programme had undoubtedly helped to bring Moscow to arms control talks in Geneva.

● The U.S. has delayed two tests of potential elements of its star wars system so as not to violate the 1972 Anti-Ballistic Missile (ABM) Treaty during President Reagan's second term in the White House, **Reginald Dale writes from Washington.**

A study by the respected National Campaign to save the ABM Treaty, said that two so-called demonstration programmes originally set for 1987-88 had been delayed until after Mr Reagan is due to leave office in January 1989. The tests involved a space-based missile tracking system and an airborne target designator.

It added that some Administration officials now appeared to accept that the treaty would have to be amended or abrogated

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societäts-Druckerei GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main. © The Financial Times Ltd, 1985.

SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday March 27 1985

AT&T unveils personal computer

By Paul Taylor in New York

AMERICAN Telephone and Telegraph (AT&T), the U.S. communications group, yesterday released its long-awaited new personal computer, together with a range of other office automation products.

The new products, which emphasise AT&T expertise in data communications, are seen as extending the battle with its arch-rival IBM.

The new AT&T computer, developed and manufactured by Convergent Technologies, is called the AT&T Unix PC – after the group's powerful Unix computer operating system – and costs from $5,095.

The new machine, aimed at business customers, combines extensive voice and data communications capabilities with the capacity to do several jobs at once for more than one person.

The Unix PC is available immediately and will be marketed directly and through retail channels. AT&T said 28 applications programmes are available for the machine immediately and it plans to double the number by mid-year.

Separately AT&T also released:

- A small low cost, high-speed Local Area Network (LAN), which links computers running either Unix or the popular MS-DOS operating systems together using existing telephone cables. The new network, called Starlan, will be available beginning in the fourth quarter and a typical system linking together a Unix-based computer and an MS-DOS machine will cost about $1,500.
- A new touch-screen office workstation called the AT&T personal terminal, which will link up with AT&T's private business exchanges (PBX's).

Sohio to close biggest copper mine in U.S.

BY WILLIAM HALL IN NEW YORK

BRITISH Petroleum's majority-owned U.S. subsidiary, Sohio, has moved to curb the heavy losses at its Kennecott mining subsidiary and suspended operations indefinitely at its Utah Copper division, which controls the biggest copper mine in the U.S.

The closure of the Utah Copper division is the latest in a series of setbacks for Kennecott, which was acquired by Sohio in 1981 for $1.8bn. Sohio lost $160m on its mining operations last year and estimates that its losses in the latest quarter are about $40m.

There has been growing speculation in recent months that Sohio would soon be forced to act to curb the heavy losses being incurred by Kennecott, and there have been suggestions that the company might try and dispose of its interest in this expensive acquisition. Mr Alton Whitehouse, Sohio's chairman, said in the company's latest annual report that the group's metal mining business was "causing us a great deal of concern."

Mr G. Frank Joklik, Kennecott's president, says the company's losses have reached the point where "we can no longer sustain the operations of the Utah Copper division." Utah is Kennecott's most important operating subsidiary, but has been operating at one third capacity since July 1984, when 2,000 employees were laid off. Utah, which was employing over 7,000 at the time of the takeover, will lay off the remaining 2,200 employees over the next six months. The operation will be put on a "care and maintenance" basis and will employ 250 staff.

Kennecott blames continued adverse market conditions, high labour costs and antiquated facilities for the need to close down Utah, which, even at its current reduced capacity, employs considerably more people than all Kennecott's other copper mines put together.

Ohio sues bank officers

BY OUR FINANCIAL STAFF

THE STATE of Ohio has filed a $432m lawsuit against officers of Home State Savings Bank, the thrift whose collapse sparked a run on deposits earlier this month which caused the temporary closure of 70 state-insured Ohio savings associations.

The suit seeks $144m in compensatory damages and $288m in punitive damages "against a number of officers and directors of Home State," including Home State's principal owner, Mr Marvin Warner, said Mr Bob Trafford, a lawyer representing the Ohio Commerce Department.

The state's legal experts were finishing work on legislation designed to speed up the acquisition of Home State, which is based in Cincinnati.

All but a few of the 69 thrift institutions which closed on March 5 were open again by Monday.

Aga Khan purchases Italian hotel chain

By Our Milan Correspondent

THE AGA KHAN, spiritual leader of 15m Ismaeli Moslems, yesterday became Italy's premier hotelier by purchasing the luxury Ciga hotel chain form Sig Orazio Bagnasco, the beleaguered financier whose property empire is facing liquidation and criminal investigations.

A purchase price was not disclosed, but it is believed that the Aga Khan, together with "a group of investors" will be paying at least $40m for the control of Fimpar, a Bagnasco company which in turn owns 50.03 per cent of the publicly-quoted Ciga group. The news of the Aga Khan's hotel venture came too late to affect the Milan bourse, where Ciga's share price yesterday fell by L166 to L8,250.

The Aga Khan's aide stressed that the Swiss-born religious leader is acting "in a personal and not an institutional capacity." But he has not demurred from securing institutional finance – the Ciga acquisition is to be funded through an international bank syndicate led by American Express Banking, Lloyds Bank International and Swiss Bank Corporation.

Aside from a certain fondness for racing horses, the Aga Khan's other main investment is to be found along Sardinia's Costa Smeralda, where for more than 20 years he has been president of the development consortium. Last year the consortium's tourism, property, airline and shipyard interests in Sardinia produced L150bn ($73m) of turnover. It is clear that the Aga Khan intends to combine his newly acquired Ciga interests with those in Sardinia.

Ciga, for its part, recorded L185bn of turnover in 1984 and a pre-tax profit of L16bn. But Sig Bagnasco, the Lugano-based financier who bought Ciga four years ago, obviously has decided the attractions of a luxury hotel chain are outweighed by the Aga Khan's offer of cash.

Montedison ends crisis with executive shake-up

BY ALAN FRIEDMAN IN MILAN

MONTEDISON, Italy's chemicals, health care and energy giant, yesterday unveiled a major management reorganisation which was described as the result of three years of intensive labour at the Milan-based group.

"We have emerged from our crisis period and can now look ahead to generating profits," said Mr Howard Harris, Montedison's American-born vice president for strategy.

Mr Harris said there were three main reasons behind the reorganisation, the business market coherence of numerous Montedison companies "was absent in the past," there was a need to create autonomous and self-financing profit centres, and finally there was a desire to decentralise decision making.

The group, which is likely to report a relatively small 1984 loss of around L40bn ($19.6m) on L11,400bn of consolidated turnover, has engaged in a radical restructuring of its 1986 "business areas," which fit into 41 different industrial sectors and are to be run by nine managing directors who will report to the Montedison holding company's top management.

Behind much of the change has been Sig Mario Schimberni, Montedison president who has recruited foreign executives, supervised a major strategic rethink and sold off a number of lossmakers while reducing the group's workforce from 88,500 in 1981 to its current level of 62,200.

Montedison said yesterday that all the nine new business groupings, ranging from chemicals to consumer goods, were in profit last year, with the exception of the Farmaplant crop protection subsidiary. Thus the 1984 loss, which compares with a 1983 loss of L322bn and a 1982 record deficit of L859bn was caused largely by heavy debt servicing charges on the group's L4,000bn of total indebtedness.

Mr Harris said that the finishing touches on the new group structure were completed only in the past few weeks. Under the new structure a vast array of businesses were regrouped so that each of the nine managing directors is responsible for most decisions, including finance and foreign sales. The group's international division has been abolished.

The nine divisions are energy, which last year had L3,403bn of turnover and 2,091 employees, petrochemicals and plastics, with L2,442bn turnover and 13,501 employees, synthetic fibres, with L866bn turnover and 5,178 employees, fertilisers, with L909bn turnover and 3,868 employees, functional chemicals with L706bn turnover and 4,838 employees, special materials with L452bn turnover and 3,104 employees, health care with L1,165bn turnover and 10,249 employees, consumer products with L949bn turnover and 5,686 employees, and other products and services such as the Standa retailing group, with L2,290bn turnover and 19,386 employees.

Because some holdings are not full subsidiaries these figures do not match group consolidated accounts. Not included in the nine new divisions is the 50–50 Himont polyproplene joint venture between Montedison and Hercules of the U.S.

BankAmerica executive steps down

By Our New York Staff

MR ART TOUPIN, a vice-chairman of BankAmerica, has announced his decision to take early retirement. His departure is the latest move in a slow but extensive reshuffling of the top management of the second biggest U.S. banking group.

Mr Toupin, who plans to retire from active management during 1985 is the third of the group's four vice-chairmen to step down over the last year.

Mr Toupin, aged 63, was elected vice-chairman in 1978

Sealink purchase lifts Sea Containers profit

BY OUR FINANCIAL STAFF

SEA CONTAINERS, the Bermuda-based shipping group, lifted 1984 net earnings by 82 per cent to $70m, helped by the acquisition in July of Sealink UK from British Rail.

The 1984 profit figures, equivalent to $5.67 per share, compare with earnings of $38.5m or $2.49 in 1983. Fourth-quarter net profits, however, rose less sharply from $12m or 86 cents a share to $13.1m or 98 cents, although the company said the latest figures were "on target."

Revenues rose sharply, reflecting the Sealink purchase, from $143.8m to $369.1m in the year, and from $38.5m to $133m in the fourth quarter.

Mr James B. Sherwood, president, said the company's main business of container leasing had performed well in the fourth quarter and year. However, currency changes had created an unexpected surge in demand in Europe and a softening in the Far East, leaving the company with equipment out of position.

Shipping operations produced a profit in 1984 after several years of losses.

Renault to back AMC Canadian expansion

AMERICAN Motors Corp (AMC) is to seek shareholder approval for a stock plan in which Renault of France has agreed to provide financial backing up to C$150m ($109m) plus interest for AMC's proposed new assembly plant in Canada, Reuter reports from Michigan.

Renault is a major AMC shareholder, with 46 per cent of the equity. AMC said failure to gain approval for its new preferred stock and warrant agreement with Renault would jeopardize its $675m Canadian project, which it calls a "critical element" of the company's strategic plan for the U.S. car market.

The stock agreement involving Renault, AMC and the American automaker's Canadian subsidiary AMI, dated December 4, 1984, is disclosed in the proxy statement mailed to AMC shareholders in advance of the company's April 24 annual meeting.

Mr Jean-Marc Lepeu, AMC vice-president and chief financial officer, said the agreement provided for Renault to give partial support for the planned plant in Brampton, Ontario, "in case AMC or AMI cannot face the obligation."

"It's a very simple operation by which Renault is committed to buy preferred stock in AMC with proceeds to go to pay the Canadian banks," he said.

Burroughs new mainframe

BURROUGHS, the U.S. computer group, introduced its new A-15 mainframe computer system which it said will perform at speeds 2.6 times greater than its B-7900 mainframe, AP-Dow Jones reports.

The company said advanced semiconductor technology and improved memory disk storage capacity will make the new system the most powerful that Burroughs offers.

Restructuring charge for General Mills

By Our New York Staff

GENERAL Mills, the Minneapolis-based diversified consumer products group, is taking a $113.8m charge to cover its restructuring. The group plans to sell its fashion interests and spin off its toy business to shareholders.

Several companies had shown interest in buying the group's toy business since it was put up for sale at the end of January. However, General Mills said that although bidders had been prepared to pay more than book value for the toy operations, tax problems would have meant that the cash proceeds would have been significantly reduced.

As a result it had decided to establish its toy business, which has annual sales of $780m, as an independent company and distribute its shares on a pro-rata basis to its shareholders. Details of the spin-off plan, which is not subject to shareholder approval, will be announced shortly.

As a result of the $113.8m charge, General Mills expects to report a third-quarter loss compared with a net profit of $38.7m

DMI cuts dividend after 44% profit fall

By Wong Sulong in Kuala Lumpur

DUNLOP Malaysian Industries, control of which was recently sold to Sime Darby by Dunlop of the UK, has reported a 44 per cent drop in 1984 pre-tax profits to 18.5m ringgit (US$7.4m) and is cutting its dividend sharply.

This is the fifth successive year of declining profits for the company, which manufactures tyres, mattresses, sports goods, and chemicals. Turnover was marginally lower at 240m ringgit. Net profit emerged at 10.1m ringgit compared with 20m ringgit previously.

The final dividend is 3.33 per cent, making a total of 9.83 per cent for the year, costing 9.75m ringgit compared with 17.1m ringgit for 1983.

In recent years, DMI's lead in the Malaysian tyre market has been threatened by its main rival, Goodyear Malaysia, and from the influx of imports, while profit margins from exports have been eroded by stiff competition.

Since buying 51 per cent of DMI last month, Sime has appointed Datuk Syed Nahar, a former chief minister of Kedah State, as its chairman and has announced an expansion and modernisation programme. The company hopes to be appointed tyre supplier for the Malaysian-made car which is due to be launched in August.

Citicorp plans Japanese trust banking subsidiary

BY OUR FINANCIAL STAFF

CITICORP of the U.S. plans to establish a trust banking subsidiary in Japan following the November agreement of the Ministry of Finance to allow eight foreign banks to enter the sector.

The Tokyo branch of Citibank said it would advise the MoF of its intentions this week, ahead of the March 31 deadline for submitting licence applications.

Citibank has been negotiating a co-operation agreement with Yasuda, which in gross income terms ranks currently as the fourth largest of the seven "pure" Japanese trust banks. Several other major U.S. and European financial institutions have been contemplating links with local trust banks as a means of entry

The other banks being suggested in Tokyo as the most likely recipients of licences are Barclays of the UK, Credit Suisse, Morgan Guaranty, Bankers Trust, Chase Manhattan and Chemical Bank.

One other tie-up which is reportedly being arranged is between Bankers Trust and Sumitomo Trust and Banking, number three in income terms. This route is generally regarded as more cost-effective than a foreign bank setting up a wholly-owned subsidiary from scratch.

The MoF has undertaken to decide on the eight licences by June, which effectively delays any start of business until the autumn.

Japanese trust banks, although showing strong profit increases, mounted an initial campaign of resistance against the opening up of the country's lucrative and fast-growing private pension fund market, which they have long shared only with the 21 Japanese life insurance companies. Together they have an estimated Y12,000bn ($46.8bn) or more of corporate pension fund cash under managent.

Harvey share trading inquiry

BY DAI HAYWARD IN WELLINGTON

THE NEW ZEALAND Securities Commission is inquiring into share trading last week in Alex Harvey Industries ahead of Friday's NZ$551m (US$252.2m) takeover bid by Carter Holt Holdings.

In the days before the takeover offer, the country's biggest ever, Alex Harvey shares moved up more than 20 cents. On Wednesday an unnamed buyer, said to be Australian, brought more than 1m shares in Harvey.

The Commission has asked the Auckland broker involved for the name of the buyer and other details. Mr Colin Pattersonfi chairman of the Commission, said that when it has the information on all share transactions, it will decide whether it wishes to extend the investigation.

Alex Harvey directors are urging shareholders not to sell pending an independent valuation of the bid. Australian Consilidated Industries, which owns 56 per cent of Harvey, is reported as considering the Carter Holt offer of NZ$3.65 chash, or one of its shares plus 45 cents, as being too low.

If ACI accepts the Carter Holt bid and takes the share and cash alternative it will have about 36 per cent of the new group. Carter Holt has arranged to borrow most of the funds needed for the bid. This is said to be the biggest sum ever borrowed by a New Zealand public company.

John Fairfax lifts interim earnings

SYDNEY — John Fairfax, the Australian media group, yesterday reported net profits of A$24.8m (US$17.36m) for the 27 weeks to end-December, up 45 per cent from a year earlier.

Turnover rose by 28 per cent to A$365.9m and the company declared an interim dividend of 6 cents a share. Although this was unchanged from the year before, the directors noted that it was being paid on increased capital from a scrip issue made late last year.

The company termed the results "most satisfactory," attributing the increase to improved profits from its newspaper group and especially the Sydney Morning Herald, the city's prestige daily.

It said that while trading remained favourable for its newspaper division, a "certain general hesitancy" was becoming evident among advertisers in the television and radio divisions. Despite that, full-year profits are expected to show a satisfactory increase.

Agencies

Taipei office for Dresdner Bank

BY ROBERT KING IN TAIPEI

DRESDNER BANK, West Germany's second-largest bank, has opened a representative office in Taipei to take advantage of burgeoning bilateral trade with Taiwan.

The bank, which has total assets of DM 85bn ($26.28bn), will concentrate on commercial banking activities such as export-import financing and the long-term financing of German capital goods exports to Taiwan, according to Dr Christoph Von der Decken of the bank's board of directors.

West Germany is now Taiwan's fourth-largest trading partner after the U.S., Japan and Hong Kong. Two-way trade reached $1.32bn last year, leaving Taiwan with a surplus of $100.1m.

"We are convinced that trade between West Germany and Taiwan will expand, and we are gong to take part in that, Mr Von der Decken said. "We are also prepared to finance trade betwene Taiwan and third countries."

He also referred to the Taiwan Government's plans to invest heavily in major infrastructural projects over the coming decade. "We are convinced that German industry will be in a position to make good competitive offers, and that is another field in which the bank will be very busy," he said.

He added that by operating a representative office rather than a full branch, the bank will be in a position to select its loan customers carefully. It thus aims to avoid bad loans such as those that have plagued many foreign banks, especially European newcomers, in Taiwan over the past 30 months.

By some estimates, lendings either lost or currently at risk from the 31 foreign banks on Taiwan have exceeded $500m.

Second-half improvement at Haw Par

SINGAPORE — Haw Par Brothers International, the investment holding company with extensive trading interests, achieved a 50.7 per cent gain in net operating profits to S$5.5m (U.S.$2.45m) in the six months to December but for all 1984, earnings were down 26.8 per cent to S$9.5m.

After extraordinary items attributable profits fell by 72.4 per cent to S$6.6m group turnover for the year was 7.2 per cent higher at S$234.2m.

Haw Par said that following a restructuring begun in 1984, results for the current year should improve. The dividend is 7 cents a share, down from 10 cents in 1983.

AP-DJ

JAPANESE RESULTS

MITSUBISHI CHEMICAL INDUSTRIES
PETROCHEMICALS/CARBON PRODUCTS

Year to	Jan '85 Y	Jan '84 Y
Revenues (bn)	800	747
Pre-tax profits (bn)	31.46	20.01
Net profits (bn)	1.72	0.14
Net per share	1.52	0.13
Dividend	0	0

PARENT COMPANY

SHOWA SHELL SEKIYU
OIL REFINER/DISTRIBUTOR

Year to	Dec '84 Y	Dec '83 Y
Revenues (bn)	1,009	1,01[illegible]
Pre-tax profits (bn)	3.11	4.71
Net profits (bn)	3.53	4.7[illegible]
Net per share	26.15	35.2[illegible]
Dividend	3	3

PARENT COMPANY

BRIDGESTONE CORPORATION
TYRE MAKER

Year to	Dec 84 Y	Dec '83 Y
Revenues (bn)	547	51[illegible]
Pre-tax profits (bn)	38.01	32.8[illegible]
Net profits (bn)	17.66	15.4[illegible]
Net per share	32.49	28.51
Dividend	10	10

PARENT COMPANY

KIRIN BREWERY
BEVERAGES

Year to	Jan '85 Y	Jan '84 Y
Revenues (bn)	1,152	1,07[illegible]
Pre-tax profits (bn)	66.58	49.83
Net profits (bn)	25.11	19.67
Net per share	28.52	22.85
Dividend	7.5	7.5

PARENT COMPANY

MATSUSHITA ELECTRIC WORKS
ELECTRICALS/LIGHTING

Year to	Nov 84 Y	Nov '83 Y
Revenues (bn)	573	53[illegible]
Pre-tax profits (bn)	32.06	28.3[illegible]
Net profits (bn)	14.79	14.37
Net per share	30.55	29.9[illegible]

CONSOLIDATED

MAZDA MOTOR
CAR MAKER

Year to	Oct 84 Y	Oct '83 Y
Revenues (bn)	1,530	1,455
Pre-tax profits (bn)	60.70	52.43
Net profits (bn)	34.77	27.43
Net per share	38.97	32.04

CONSOLIDATED

INTERNATIONAL APPOINTMENTS

IBM reassigns PC division president

BY LOUISE KEHOE IN SAN FRANCISCO

Philip D. Estridge, who led IBM into the personal computer market building up a $5bn business for the computer giant, has been reassigned to a corporate staff position. The move caps a series of changes in the operations of IBM personal computer division — called Entry Level Systems division, where Mr Estridge was president.

Regarded as something of a maverick within IBM, Mr Estridge championed the personal computer and led the "independent business unit" that became the Entry Level Systems division. Unlike other IBM operations, his division retained almost autonomous powers until recently.

Now Entry Level Systems division appears to be losing much of its independence as it is reined into the traditional IBM organisational structure. Reportedly, the problem with some of the division's products, notably the PC Jr home computer, have led to a rethink of the division's status.

In the Entry Level Systems division, Mr Estridge will be replaced by William C. Lowe, formerly assistant group executive. Mr Lowe was involved in the original PC task force and drafted the original PC business plan.

Masaka Ogi in hot seat at Fujitsu America

BY OUR SAN FRANCISCO CORRESPONDENT

SITTING IN the hot seat as the new president of Fujitsu America, the U.S. subsidiary of the Japanese electronics and computer company, is Mr Masaka Ogi, who acknowledges that running a Japanese-owned company in the heart of Silicon Valley brings certain problems.

"We are keenly aware of the protectionist sentiment which is being discussed widely in the U.S. We decided to address this issue head on, by building Fujitsu America from the ground up as an American company. Our products are co-developed, manufactured and marketed as an integral part of our commitment to our partnership with the U.S.," he says.

A veteran of 33 years' service with Fujitsu, Mr Ogi was vice-general manager of international operations, based in Tokyo until taking up his new position at the turn of the month. He has spent most of his career working on the telecommunications side of Fujitsu.

Mr Ogi has set an ambitious goal of increasing sales of the electronics manufacturing company by 40 per cent annually. Most of Fujitsu America's sales stem from disk drive projects, but Mr Ogi would like to increase the percentage of sales derived from telecommunications. "In the disk drive area, its not easy to keep the very high growth rate," he explains.

But in entering the telecommunications field, the Japanese company must tread carefully. "We face some trade restrictions," Mr Ogi accepts. He stresses Fujitsu's support for an opening of the Japanese telecommunications market to U.S. suppliers. "I personally believe that restrictions on telecommunications imports (to Japan) are unnecessary," says Mr Ogi.

Norsk Hydro buys control of Dyno

By Fay Gjester in Oslo

NORSK HYDRO, the Norwegian industrial and energy group, is acquiring control of Dyno Industrier, the Norwegian plastics, chemicals and explosives group, for NKr 374m ($40.3m).

Dyno will place new shares with Norsk Hydro, increasing the latter's stake in Dyno from about 36 per cent to 50.5 per cent, enabling Hydro to consolidate Dyno in the group accounts. Dyno will continue to operate under its own management.

Dyno has been considering a capital increase to help finance its planned purchase of the explosives division of Hercules, the U.S. chemicals group. Last year it bought another U.S. explosives company, Ireco. It aims to become one of the world's major producers of commercial explosives.

Another feature of the agreement is that Hydro will transfer its adhesives activities, and part of its explosives activities, to Dyno. At the same time the two will enter into long-term arrangements concerning the supply to Dyno of the key raw materials—urea and ammonium nitrate.

Norsk Hydro is a major producer of urea, and has its own adhesives plant in the Netherlands. Dyno is a large manufacturer of adhesives, and will take over Hydro's plant in the Netherlands.

Swedish steel group pulls out of the red

By David Brown in Stockholm

AVESTA, the troubled Swedish specialty steel group, has announced 1984 profit before extraordinary items and tax of SKr 75m ($8.1m), a strong turnround from the SKr 162m loss of the previous year.

However, the group expects costs associated with restructuring to depress results in the current year.

The directors have reiterated their call for an accelerated rationalisation programme of additional job cuts and shutdowns and has appointed a new president as part of a far-reaching top management shake-up.

Demand was strong through 1984, but the group was unable to lift prices to compensate for high dollar-denominated costs for raw materials. Net financial costs fell from SKr 330m to SKr 225m.

Avesta has had a troubled existence since its formation early last year as part of the broad restructuring of the Swedish stainless steel industry.

Statoil to acquire Exxon's oil operations in Sweden

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

STATOIL, the Norwegian state oil company, is to buy the Swedish oil and petrochemicals operations of Exxon of the U.S. in a deal worth up to NKr 2.5bn ($270m).

The takeover, which is still to be approved by the Swedish Government, is Statoil's biggest foreign acquisition and one of the biggest business deals between Sweden and Norway.

It represents a major move by the Norwegian group to expand its downstream activities abroad in order to find new processiong outlets for its rapidly growing North Sea oil and gas production.

Statoil has so far reached an agreement in principle to buy Exxon's ethylene plant in Stenungsund, near Gothenburg, as well as its complete oil marketing business in Sweden, including 420 service stations.

Exxon stressed last night that the disposal was not part of any wider plan to sell other operations in Europe.

Exxon has around 12.5 per cent of the Swedish petrol market and some 9 per cent of the total Swedish market for oil products. Despite a period of fierce price wars in the Swedish petrol market it has remained the most profitable oil marketing company in the country.

The operations include a lubricants plant and six oil depots. It has a workforce of some 900 and had sales last year of SKr 5.4bn and earnings of SKr 71m ($7.7m).

Statoil has previously had petrol retailing operations solely in Norway where it has some 27 per cent of the market for oil products and a chain of 750 service stations under the Norol brand name.

It is in the process of expanding its refinery at Mongstad on the west coast of Norway from 4m to 6.5m tonnes a year — construction should be completed in 1989—and much of the new capacity will go to supplying the Swedish market.

Norwegian oil companies have long been keen to enter the Swedish market, and last year Norsk Hydro bought up Mobil's oil marketing and retailing operations in the country. The deal also expands Statoil's base petrochemicals in Sweden.

Not included in the chemicals part of the acquisition is Exxon's chemicals importing activities with some SKr 450m of total turnover.

The deal is the final move in a far reaching restructuring of the Swedish petrochemicals industry. Last year Norsk Hydro completed the purchase of KemaNobel's pvc plastics plants, while Neste, the Finnish state oil company bought up the polyethylene plastics plants of KemaNobel and Union Carbide of the U.S. in deals worth more than SKr 1bn.

Societe Generale lifts dividend

BY PAUL CHEESERIGHT IN BRUSSELS

SOCIETE GENERALE de Belgique, the largest of the Belgian industrial and financial holding groups, yesterday signalled a return to higher profits when it declared a net dividend of BFr 96 on shares existing before a capital increase in late 1983.

This declaration, for the 1984 financial year, means that Societe Generale is breaking out of the self-imposed limitation on dividend payments, settled at BFr 90 since 1981.

Shares isued in late 1983, to coincide with a government incentive scheme to encourage bourse investment, attract a net dividend of BFr 107.5. Shares issued at another time of capital increase in December 1984 wait until 1986 for a payment.

This spate of share issues has not finished. Societe Generale said that it had no plans for any immediate capital increases, but next month it will seek the authorisation of shareholders to carry out capital increases over the next five years for a total of BFr 10bn ($154m).

Net asset value of Societe Generale is now BFr 2,957 a share, following a rise over book value in shareholdings to BFr 14.7bn by the end of last year, compared with BFr 10.9bn at the end of 1983.

The group has not yet announced its final profit figures, but it indicated at the halfway stage they would improve on 1983 returns. Then net profits were down to BFr 1.2bn from BFr 2.3bn in 1982.

DnC buys out partners in two consortium banks

BY OUR OSLO CORRESPONDENT

DEN NORSKE Creditbank, Norway's largest commercial bank, reports record profits for 1984, and says it is buying out its partners in two overseas consortium banks, Ship Mortgage International Bank of Amsterdam and Nordic American Banking Corporation of New York.

DnC will become 100 per cent owner of the Amsterdam bank, taking over the stakes held by Midland Bank and Sweden's Skandinaviska Enskilda Banken.

In NABC, DnC will own 75 per cent with Svenska Handelsbanken retaining a 25 per cent stake. The deal makes DnC the first Norwegian bank to secure control of a U.S. subsidiary.

DnC group operating profits, before bad debt provisions, rose to NKr 1.08bn ($116.5m) from NKr 843.6m in 1983. The figure for operations in Norway was NKr 806.1m, against NKr 648.4m.

The bank is paying an unchanged 13 per cent dividend, and offering sharehodlers a one-for-10 scrip issue.

The year's good result was achieved despite a relative decline in net interest income; which dipped to 3.37 per cent of average total assets from 3.84 per cent a year earlier.

Profits from other activities increased, however, in relation to total assets—to 1.91 per cent from 1.58 per cent—while relative operating costs fell to 3.43 per cent from 3.57 per cent.

Foreign exchange and share trading yielded profits of NKr 146.5m and NKr 167.1m respectively, compared with NKr 74.4m and NKr 42.9m in 1983.

German plastic containers deal for PLM

By Our Stockholm Staff

PLM, the Swedish packaging group, has taken control of Raku, the privately-owned West German manufacturer of plastic containers with annual sales of DM 60m ($18.6m). Raku is a producer of specialised multi-layer and polyester containers

PLM's West German operations currently consist of a glass works near Hanover and a joint beverage can production venture in West Berlin with the Ball Corporation of the U.S. PLM declined to disclose the price it has paid for Raku.

● Fermenta, the biotechnology company, is to pay a dividend of SKr 50 a share, provided it receives an exemption from a government dividend freeze. The company last week reported 1984 pre-tax profits of SKr 80.2m ($8.7m) against SKr 5.1m.

INTL. COMPANIES & FINANCE

Pakistan businessmen weigh up the Islamic banking system

BY JOHN ELLIOTT RECENTLY IN KARACHI

PAKISTAN is moving to the second major stage of its three-part adoption of Islamic banking next Monday, when all financing of individuals and private companies will become interest free. For the past three months, interest has been banned on all corporate accounts, and Pakistan and foreign banks have started to become accustomed to an innovation which is generally regarded in the country as being politically irreversible.

The third stage will be reached on July 1, when banks will stop accepting interest-bearing deposits. Depositors' returns will be geared to the profits or losses of the bank.

By that time, Pakistan will have moved further than any other country to embrace Islamic banking—nowhere else has there been a wholesale switchover for all domestic dealings.

So far, there have been few problems, apart from complicated changes in banks' paperwork and computer systems, although there have inevitably been delays in transacting business.

But there have been arguments among experts about how Islamic the system really is. Superficially, the arrangements evolved in the past few months with the Government by the banks, both Pakistani and foreign, seem to allow business to continue more or less as before, with various synonyms being introduced for different sorts of lending.

It is difficult to find a businessman in Karachi, Pakistan's commercial capital, who will acknowledge that his relationship with his bankers has changed since corporate accounts became Islamic. "Its just interest with a different name—there's no sense of a new Islamic partnership between us and our banks" is a common reaction.

Many businessmen go further—as one explains: "How can we have a partnership with our banks when we all have two sets of accounts—one genuine and the other for the tax inspector. Which set would we show the banks?"

Islamic leaders in Pakistan are scathing about what is being done, mainly because they do not approve of the way traditional loan interest has been replaced by a system of mark-up on the value of goods being financed, or a service charge.

"Mark-up is not the elimination of interest. They've merely changed the terms of interest, but everything is the same as before," says Professor Gafoor Ahmad, a leader of the Jamaat Islami, a fundamentalist Islamic party. "The problem is that with mark-up the banks are not sharing the losses. These must be shared for the system to be Islamic. The banks must have a say in the businesses of their customers—which the businessmen will not like."

Bankers disagree

Bankers committed to the new system, however, do not agree. They say it is not essential for losses to be shared in an Islamic system. Mr M. R. Khan, chairman of the Banking Council, a Government organisation which covers the country's nationalised banks, says: "There is more onus on the banks to get their arrangements right and for users of funds to behave responsibly."

Banks no longer receive a "guaranteed rate of interest constantly ticking up" for as long as their funds are being used. They can only fix the mark-up once for a transaction, and cannot charge penal interest on bad debts. That needs more responsibility and skill, argues Mr Khan.

The State bank of Pakistan has issued a list of approved "modes of financing," the most important of which fall into three categories:

- Levying a service charge based on a bank's administrative costs.
- A mark-up on the value of goods handled.
- Profit-and-loss sharing, known as Musharika.

In addition, there are other forms, such as leasing, hire purchase, buy-back through staged repayments, rent sharing on housing related to capital costs, and a form of unit trust known as Mudarba. None of these have been used much yet.

The list details the possible modes, designating for example leasing, hire purchase or a charge on agricultural land for financing farmers' tube wells. Mark-up is designated for plough and milch cattle, but a broad choice of profit and loss sharing, mark-up, hire purchase and leasing is listed for dairy cattle and poultry. Personal advances are covered by hire purchase for consumer durables such as cars and household goods.

When the corporate accounts became Islamic in January, most banks, especially 17 which are foreign-owned, expected to do most of their business on the mark-up basis. This was because mark-up is the closest to traditional interest and does not require the extra managerial responsibility or degree of risk with depositors' funds involved in profit and loss sharing.

The State Bank has issued guidelines of a 10 per cent to 20 per cent mark-up to be negotiated by banks with their clients.

Grindlays to begin with made less use of mark-up than it expected. It had difficulty designing a system related to the time that funds are to be provided without making the system look like interest with a penal element built in for bad debts.

The alternative system is to levy a service charge based on a State Bank formula of a bank's administrative costs, which roughly works out to 1 per cent to 4 per cent of a loan. This is not sufficient for long-term arrangements.

Banks have overcome a major problem of the mark-up system (also used for export and import financing) which forces them to become temporarily the owners of goods involved. To avoid becoming responsible for the goods, they simultaneously sign documents for purchasing and selling back, so that possession and responsibility stays permanently with the customer.

Few banks have yet concluded many Musharika profit and loss sharing arrangements, which are causing legal problems for American banks. But the main worry for all the banks is the risk involved for depositors' funds when many banks do not have the expertise needed to vet companies.

BCCI has done two and Grindlays one. The country's five nationalised banks have been offering Musharikas since 1982, when forms of Islamic banking were introduced on a voluntary basis, but they have only done about 100.

"Profit and loss sharing Musharikas will not be a major form of financing for two or three years, although the banks will increasingly look for this sort of financing," says Mr M. R. Khan. Industrial units have recently been set up, with World Bank help, in the nationalised banks to improve industrial expertise.

Two Mudarba forms of unit trust have been issued so far. One of PRs 25m ($1.6m) was floated last month by Mr Rafiq Habib, head of one of Karachi's fastest growing industrial groups, to test the market. This was three or four times over subscribed, and Mr Habib says he hopes to raise about Rs 100m by this method over the next year for industrial investment.

Now the banks are getting ready for dealing with their depositors on an Islamic basis from July, with full profit and loss sharing. "A bank's profits, after deducting administrative costs, doubtful debts, and a management fee of up to 10 per cent, will be distributed between the bank's equity holders and its depositors on a five-to-one basis," explains Mr Khan.

Grindlays enthusiastic

In the meantime, at least one bank is becoming something of an enthusiast — Grindlays is contemplating using its Pakistan experience to offer an Islamic system in one or two Middle East countries, such as Bahrain.

It would take funds from individuals on a profit and loss sharing basis and lend to customers on a mark-up basis. This would give the depositors the satisfaction of investing their money in an Islamic manner while providing security when the money is lent to its customers. It is a formula which meets a banker's cautious approach to his trade, even if it may not please all Muslim fundamentalists in Pakistan.

UK COMPANY NEWS

Reckitt & Colman up 20% as sales pass £1bn mark

Reckitt & Colman, the household products and goods group, yesterday reported a near 20 per cent incerase from £88.76m to £106.4m in taxable profits for 1984.

Sales increased by 14.6 per cent to £1.12bn, despite "strong competition" and a further planned increase in marketing expenditure in support of major brands.

Continuing progress made with the household product development programme in the U.S. was "patricularly encouraging," say the directors.

The final dividend, as promised last October when £106.1m was raised via a one-for-five rights issue, is being raised from 7.85p to 8.8p making a total 14.3p against 12.4p.

This is covered nearly threefold by stated earnings per share of 41.9p compared with 36.85p. The tax charge was £45.88m (£38m).

Normal business operataions resulted in a net outflow of only £0.8m despite the acquisitions in Australia and Brazil for £1.6m and the investment in modernising production and warehousing facilities at Norwich in the UK and in South Africa. which together amounted to £17.5m.

At the end of the year agreement had been reached to acquire the Airwick division of Ciba-Geigy AG for which shareholders approval was obtained.

Last year, Reckitt made an abortive attempt to take over Nicholas Kiwi, the Australian household products and drug group.

Sir James Cleminson, chairman of Reckitt & Colman

Reckitt's net financial position improved by £54.4m from net borrowings of £7.2m at the end o f1983 to a net in hand position of £47.2m.

This reflects the rights issue less the cost of Nicholas Kiwi shares, which were disposed of at a profit and the proceeds received after the year end.

Trading profits increased 16.2 uer cent to £105.88m with the heavier marketing spend offset by sustained improvements in productivity.

Movements in exchange rates, excluding Latin America, had little net effect on the comparison of pre-tax profits as the greater cost in sterlig terms of the U.S. Household programme and the weak South African rand more than offset gains from the Australian dollar.

An analysis of pre-tax profit by products shows (in £m): Household and toiletries £44.81 (£39.56); Food and win £26.30 (£25.10); Pharmaceutical £24.49 (£20.67); Colours £6.38 (£4.56); Industrial cleaning £2.27 (£2.14); leisure £2.84 (£0.53); and corporate interests and expenses £0.69 (£3.80).

See Lex

Texas Homecare group lifts profit 54%

Home Charm, owner of the Texas Homecare DIY chain of stores and similar retail outlets, increased pre-tax profits by 53.6 per cent to £10.83m, against £7.05m, in the year to December 31 1984.

Turnover was up 34.2 per cent at £183.11m (£136.44m) and basic earnings per share rose to 13.2p (8.5p). A dividend of 1.75p (1.25p) is being recommended, making 2.75p (2p) for the full year.

The group's retail selling area increased by 35 per cent to 2.61m sq ft (1.93m sq ft).

The chairman reports that despite poor weather during the first few weeks of the current year, sales are 30 per cent up on the same period last year, largely because of the number of new stores.

He looks forward to 1985 being another record year for the group.

● comment

An impressive array of figures, based upon rapid physical expansion, characterises Home Charm's performance. Retail selling area has been increased by 35 per cent, including the Unit Sales acquisition, and with a 13 per cent sales improvement on a like-for-like basis, group turnover is ahead by 34 per cent. Tight control of overheads has turned a small improvement in gross margins into a 0.8 point increase at the net trading level, pushing pre-tax profits up 54 per cent. This year could provide more of the same, though the *profits growth will be something* less dramatic. There are plans to add another 1m sq ft to the sales area, a rise of 38 per cent. Capital spending is targeted at £38m, including £10m on a new warehouse in an Enterprize Zone, and today's cash position of £13m could be turned into an overdraft of, say, £10m within 12 months. Margin growth might not be quite so good this year and sales have got off to a sluggish start but even so profits could reach £13¼m to £14m pretax for a prospective fully diluted p/e of 18 at 280p—the company's traditional high rating.

Delta shows 44% advance with electrical side leading the way

WITH GROWTH coming more or less equally from home and abroad, the Delta Group has pushed up its profit by 44 per cent in 1984, from £31.8m to £45.7m. Shareholders receive a final dividend of 2.68p to give them a net total of 4.5p, against 3.75p last time.

Profits before interest charges rose from £41.8m to £53.1m, with the UK up 28 per cent to £35.7m and overseas ahead 24 per cent to £17.4m. Metal stock profits accounted for £1.2m (£2.9m).

In the current year the group has made "an encouraging start" and the directors look for a period of further progress. Subject to the usual proviso, they are expecting growth in profits.

Turnover in the year ended December 29 1984 rose from £512.8m to £590.2m. By activity, electrical equipment contributed £261.7m (£230.3m) to that and £27.8m (£18.3m) to pre-tax profit, fluid controls £158m (£150m) and £8.4m (£10.6m), metals £179m (£156m) and £7.2m (£...6.5m), industrial services £124m (£106.7m) and £9.6m (£6.4m), less inter-group £60m (£58m), and related companies £72.6m (£71.8m). Corporate finance charges were £7.4m (£10m). Share of related companies profit was £6m (£5.5m).

By area, the analysis was UK £492.6m (£439.7m) and £35.7m (£27.8m), Africa £92.7m (£88.6m) and £4.8m (£7.6m), Australia and SE Asia £88m (£67.3m) and £5.7m (£2.6m), North and South America £25.2m (£21.8m) and £2.6m (£2.5m), Western Europe £24.4m (£25.3m) and loss £0.7m p(rofit £1.3m).

In electrical equipment, the directors report that the cables division recovered strongly after severe pressure on prices in 1983, and Switchgear and Accessories division made further progress.

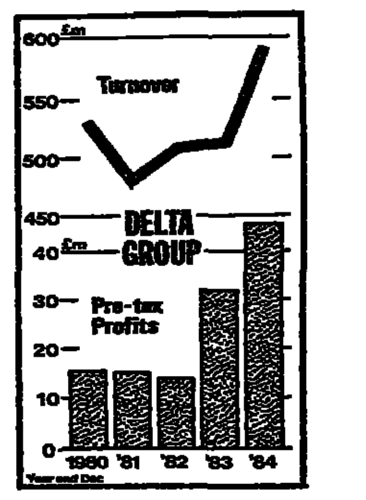
Results in metals and industrial services showed a significant improvement.

After tax £14.3m (£12.5m) and minorities £1.3m (£0.75m), the net attributable balance come to £30m (£18.6m) for earnings of 20.9p (13p) per share. There were extraordinary charges this time of £1m (profit £1.7m).

There has been a further strengthening of the balance sheet. The debt/equity ratio imporved to 0.34 : 1.

● comment

With pre-tax profits up 44 per cent—right at the top end of analysts' forecasts—Delta Group has shown how to make money in a barely-growing market. Production costs have been pared as much through investment as redundancies and the £4.5m taken above the line for reorganisation should not have to be repeated in future years. Electrical equipment put in the most impressive performance, with profits more than 50 per cent higher than in 1983, when the cable price war was raging. This year, the interest charge should fall as cash flows in, and there must still be some cost benefits to work their way through, particularly in cable. On that basis, £51m for the year does not seem unrealistic—yet the shares, up 3½p still stand on a very modest prospective p/e of around 5¼. The fault lies mainly with the company.



At 4.5p for the year, the dividend is still substantially below 1979's payout and leaves the shares, which used to be bought for their income, on a measly historic yield of 4.8 per cent. It is hardly surprising, then, that the market expects a rights issue, particularly since Delta's growth in these mature fields must soon be by acquisition. The fear of a cash call may prove a temporary damper on the shares.

Beazer confident after first half jump

C. H. Beazer (Holdings), property developer and contractor, pushed its first half profits up by 38 per cent and looks with confidence to the outcome for the full year.

The group is continuing to trade satisfactorily and housing completions are on target despite increases in interest rates.

Pre-tax profits for the six *months to end-December 1984* rose from £4.81m to £6.62m and took in contributions from recent acquisitions — figures for the corresponding period including £1.8m from the now-disposed of building material activities.

The interim dividend is being stepped up by 0.5p to 4p net per 10p share, an increase of some 14 per cent.

Turnover advanced from £60.84m to £65.84m. The homes division performed well and exceeded its budgeted completions. The other divisions also performed well with the exception of part of the services sector which is still experiencing difficulties.

The half year results took in a first time contribution from Braham Millar which was acquired with effect from June 30. This company, which now encompasses all the group's engineering activities, recently announced the purchase of Goodwin Barsby, a manufacturer of *crushing, screening and ashphalt*, for £2.4m.

M. P. Kent, acquired last November, made a "modest" contribution but will contribute "very significantly" to the group's property development capabilities. Mr Brian Beazer, group chairman, says he expects a "much increased" contribution from this activity in the years to come.

A "significant" contribution is also expected in the years ahead from William Leech, which Beazer acquired in January of this year.

During the six months the group made an offer for Bath and Portland which lapsed in the face of a higher bid from Consolidated Gold Fields. Beazer received a consideration of some £13.8m on acceptance of that offer.

Tax for the period accounted for £2.32m (£1.68m) and minorities for £143,000 (£10,000).

Available profits amounted to £4.16m (£3.12m), equal to 20.3p (18.5p) per share. Pre-tax profits for the 1983-84 year totalled £11.28m.

● comment

Expectations of good news flowing from Beazer's ingestion of William Leech (acquired in January) are leading analysts to see some £15m above the line at the year end. Lower tax charges, the interim rate was 35 per cent, and could see earnings per share rising to 41p, for a prospective multiple of 10 at 402p. The acquisition trail is keeping the group busy. Having failed with Bath and Portland (although it certainly made money in the sale of its stake), it moved quickly on to snap up Leech, an overgeared company with high overheads. With enough retained profits to finance more modest purchases, engineering subsidiary Braham Millar has just paid £2.4m for *Goodwin Barsby, the crushing,* screening and ashphalt equipment maker. In the current half sales of some of M. P. Kent's investment properties should see group borrowings under 40 per cent of shareholders' funds by June. Rising interest rates have led the group to revise downwards its housing completions by 5 per cent in unit terms to between 4,000 and 4,500 (44 per cent from Leech), but profits are not expected to be reduced by as much and the latest news from Leech is that the axe has been taken to its overhead burden.

Iceland Foods exceeds forecast

BETTER THAN forecast taxable profits were attained in 1984 by Iceland Frozen Foods Holdings, one of last year's newcomers to the Stock Exchange.

Mr Malcolm Walker, the chairman, reports that sales increased by 40 per cent to £85.24m and pre-tax profits rose by over 60 per cent from £1.82m to £2.97m, which compares with the full listing prospectus forecast of £2.8m.

The company, which operates frozen food centres, has been built up by Mr Walker and Mr Peter Hinchcliffe who worked together as trainee managers in F. W. Woolworth and decided in 1970 to rent a shop in Oswestry, Shropshire, to sell loose frozen foods.

Sixteen new stores were opened in 1984, which included six relocations and completed major refits on six former St Catherines stores.

"Our new freezer and microwave division established itself during the year, starting in only 14 outlets and finishing with representation in 42 branches," says Mr Walker.

"However, *1984 is history*," he says and adds, "we have an aggressive site acquisition programme under way; three stores have opened in 1985 to date, with four more currently being fitted out and several more in the pipeline.

"We will continue to be innovative in our product development, and expect to see a further increase in the percentage of our business coming from our own label ranges," he says.

Regarding *prospects*, he says, "trading in 1985 to date is satis*factory and results are ahead of* last year. However, seasonal factors and the pattern of store openings meant that an unusually high proportion of 1984s profit was earned in the first half, and we anticipate a more normal pattern in the current year."

As stated in the prospectus, there is no ordinary dividend. Earnings per share were 19.99p (12.38p).

Profits were struck after interest payable of £280,000 (£368,000) and were subject to tax of £118,000 (£97,000)—there was an extraordinary credit this time of £368,000, relating to the offer for sale in October.

● comment

These first preliminary figures from Iceland as a public company are comfortably over the prospectus forecast, with earnings getting a useful boost from the one-to-two-days interest earned on the £900m that investors over-subscribed for the shares last October. Since then, the shares have more than doubled to 440p, putting a healthy premium on these high quality earnings. While the message from these results is that shareholders should not expect *anything too dramatic* this year, the underlying momentum fully justifies the historic multiple of over 22. For one the company's business is in an expanding niche of the food retailing sector. And secondly, its geographic penetration in both its northern heartland and the more prosperous south is still sparse. These factors allow plenty of manoeuvrability, especially with the healthy cash flow and minimal borrowings. There is still potential for further organic growth but the main thrust will come from new openings at the rate of 20 new stores a year. This year the programme looks as if it could produce up to £3.9m on a fair wind, which would bring the multiple down to just under 19 on a 15 per cent tax charge.

Reorganisation starts to benefit Burgess Products

REFLECTING some of the action taken to reorganise the group, pre-tax profits of Burgess Products (Holdings), maker of precision electrical and electronic components, showed a sharp increase from £214,000 to £601,000 for the half-year to January 26, 1985. Turnover amounted to £10.39m, against £12.01m.

The comparative figures included discontinued activities; representing turnover of £2.61m and trading losses of £146,600 from Burgess Architectural Products and Burgess Power Tools, two wholly owned subsidiaries sold since January, 1984.

Mr Bob Morton, the chairman, says trading in the second half of the current year is continuing at the same rate as the first six months. Outcome for the full year, however, will depend upon external *factors* including UK interest rates.

Any substantial weakening of the dollar will have an adverse effect on trading in the U.S. and Canada, he adds.

Although interest payable increased from £196,000 to £239,000, reflecting higher borrowings prior to the company's rights issue and placing, and tax was greater at £118,000 (£55,000), profits attributable to ordinary holders came out at £477,000, against £153,000.

Stated earnings per 25p share on the increased capital were 6.8p (4.3p as adjusted for discontinued activities and larger capital). An interim dividend of 0.5p net is declared—a total of 2p on increased capital has already been forecast.

Group trading profits more than doubled at £840,000 (£412,000). The whole of the growth arose in the precision electrical and electronic components activities of the group, where profits rose from £559,000 to £839,000.

Acoustical and other engineering products made a £1,000 profit (£42,000 loss), but suffered *from the continuing severe price* competition in the replacement silencer market.

Mr Morton reports that a new silencer, Long Life Extra, which is guaranteed for the life of ownership of the motor vehicle, has recently been well received by both the motor trade and consumer.

Pressac dives to £411,000

Pressac Holdings, electro-component manufacturer and precision engineer, suffered a sharp decline in pre-tax profits from £1m to £410,938 for the six months to January 31 1985.

Increased costs coupled with a lower demand from Pressac's major television, automotive and Telecom customers, reduced sales by some £0.73m to £8.9m, which adversely affected margins.

However, orders for engineering products are at a high level and export demand remains strong. Steps have been taken to reduce and control expenditure which should contribute to group performance in the second half.

Earnings per 10p share are stated down from 7.86p to 2.52p but the interim dividend is held *at 0.7p net—last year's final was* 1.5p.

After tax of £174,000 (£393,000) and minority debits of £14,673 (£40,942 credits), attributable profits showed a reduction from £649,691 to £222,265. The preference dividend absorbs £21,000 (same) and the ordinary £56,000 (same).

BAe prefaces share sell-off with 46% rise

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

British Aerospace, the aircraft, missile and space manufacturer which is planning a major share issue this spring, alongside the Government's sale of its own remaining 48.43 per cent stake in the group, earned pre-tax profits of £120.2m in 1984, against £82.3m in 1983. The result, a rise of 46 per cent, was in line with market expectations. The share closed 17p higher at 395p yesterday.

Sir Austin Pearce, chairman, announcing the figures in London yesterday, confirmed that the prospectus for the share sale and the group's own offer would be issued soon.

The BAe accounts show that sales in 1984 amounted to nearly £2.47bn, against £2.3bn in 1983, generating trading profits of £166.2m against £112m. After taking account of launching costs written off, profits before interest were £115.1m against £69.4m.

An analysis of the group's trading performance shows that the only section of its activities which did not make a profit in 1984 was space, which incurred a loss of £15.2m on sales of £109.5m. In 1983, space incurred a loss of £14.2m on sales of £143.1m.

Senior executives of British Aerospace, (left to right): Sir Raymond Lygo, managing director; Sir Austin Pearce, chairman; Mr Bernard Friend, director of finance. They feel that the Government should tell BAe why it lost the contract for the next RAF basic trainer

While both the military aircraft and guided weapons sectors showed increased trading profits —of £114.3m (£104.7m) and £104.9m (£80.3m) respectively—the civil aircraft group had profit only of £7.5m on sales of £572m. This compared with a profit of £13.6m on sales of £434.6m in 1983.

During the year, BAe wrote off launching costs of £[illegible].1m (£42.6m in 1983). The increase was largely due to the Advanced Turboprop (ATP) airliner, which was launched in 1984.

The directors have proposed a final dividend of 8.4p per share, up from 5.6p, which boosts the total by 50 per cent to £13.65p. Stated earnings per 50p share were 54p (41.1p) on anet basis.

Sir Austin said that the money BAe would raise in the forthcoming share issue would be needed in 1986-87 for a wide variety of programmes.

It was not needed immediately, but the group had been advised that the best time to make such an issue was at the same time the Government itself sold off its remaining sake in the airline.

Sir Austin welcomed the Government's decision to sell its remaining stake in BAe. It would mean that the company would be entirely publicly owned, instead of being half-and-half as at present, and that could only be good for the group in the long term.

See Lex

Smith & Nephew up 24% as margins rise

All divisions in the Smith & Nephew Associated Companies group improved their trading margins in 1984, except in personal hygiene where they were maintained. With an increased contribution from the related companies, this has pushed up the group profit before tax by 24.4 per cent, from £44.59m to £55.48m.

Earnings have risen from 9.44p to 11.76p and shareholders' dividend is increased from the equivalent of 3.75p to 4.55p net, with a final of 3.15p. They will also receive another scrip issue, again on a 1-for-5 basis.

Group sales for 1984 showed a lift of 19.1 per cent, from £314m to £374m, and the operating profit rose 23.3 per cent, from £43m to £53.18m.

By activity, sales and operating profits were split as to :— medical and healthcare £190m (£158.4m) and £30.9m (£25.3m) with margin at 16.3 (16) per cent; personal hygiene £40.4m (£40.5m) and £4.8m (same), with unchanged 11.9 per cent margin; toiletries £25m (£20.7m) and £5m (£3.3m) with margin 20 (15.9) per cent; medical and other textiles £39.4m (£36.3m) and £4.9m (£4.3m) with margin 12.4 (11.7) per cent; plastics and tapes £102.3m (£80.5m) and £7.6m (£5.4m) with margin 7.4 (6.7) per cent.

● comment

Smith & Nephew has once again produced solid growth without any surprises. Even the annual scrip issue is now expected, although this aspect of the accounts is always difficult to understand. This will be the fifth consecutive year that the company has issued free shares — apparently because the shareholders want them even though, in numbers terms, there is no apparent advantage. But on the trading side all divisions are performing well with the exception of personal hygiene. Here, sanitary towels have been going through a time of intense competition in the UK but at least this division managed to hold its own. Medical and healthcare continues to account for the bulk of growth while toiletries increased its market share. On the currency roundabout, the Rand partially offset the dollar for an overall gain of about £0.5m. With further currency gains in the pipeline this year and a 10-month contribution from the new U.S. acquisition it looks like £72m is possible for a prospective multiple of over 16 at 236p after tax at 35 per cent. Given the track record this looks about right.

Enterprise outstrips City forecasts and surges to £63m

BY DOMINIC LAWSON

Enterprise Oil has outstripped City expectations for both its inaugural full-year profits and dividend payout since privatisation.

The former North Sea oil production arm of the British Gas Corporation yesterday unveiled net profits of £62.6m, compared with the prospectus forecast last June of £47m and £30.8m for the previous eight month period.

Shareholders will receive a dividend of 8p per share, against the offer for sale pledge of 7p.

Two reasons were behind the profits surge; the rapid appreciation of the dollar against the pound, and an earlier than expected start in production from the North Sea Hutton oilfield.

Mr John Walmsley, finance director, said yesterday that the prospectus forecast had been based on an exchange rate of $1.45 to the pound, but the average rate over the year was $1.30.

All of Enterprise's profits, with the exception of interest receiveable of £9m, are originally denominated in dollars, the currency in which crude oil is bought and sold internationally.

At the pre-tax level, profits came to £138.5m. Capital expenditure was £82m with exploration accounting for £29.7m. Cash and short term investments at the year end stood at £108.5m, and currently amount to £130m.

Enterprise is known to be on the lookout for acquisitions, for which it is prepared to commit a large proportion of its considerable liquid resources.

Mr Graham Hearne, chief executive, said: "We are seeking more development prospects. There is every prospect that within the UK independent oil sector the next few years will bring opportunities for growth which Enterprise is well positioned to exploit."

Most stock market speculation nominates Tricentrol as a target since it has the development prospects that Enterprise covets.

Enterprise has high hopes for two future developments out of its existing portfolio. Recent drilling on the Arbroath North Sea oil discovery has been successful, and it is thought that it could contain up to 100m barrels recoverable oil, in which Enterprise has a 31 per cent stake. The other probable development is a gas discovery in North Sea block 43/26.

Last year, Enterprise produced 32,000 barrels a day (b/d) of oil. Production this year should rise to about 37,000 b/d, and should remain above 35,000 b/d for the rest of the decade.

The production profile, however, should be flatter than predicted in the prospectus, since the Beryl "B" field is likely to have a slower than anticipated build-up in production.

Enterprise is considering setting up its own oil trading operation; following the recent announcement by the Government that the British National Oil Corporation is to be abolished.

At present the doomed state oil trader handles Enterprise's production. Enterprise said yesterday that it had accelerated a review of its marketing arrangements.

See Lex

32% pay rise for BP chief

By Martin Dickson

SIR PETER WALTERS, chairman of British Petroleum, had a 32 per cent pay rise last year, lifting his renumeration by £58,413 to a total of £241,547. BP's annual report, published yesterday, shows that the six other executive directors also had large increases.

BP said that the rises resulted mainly from the introduction last year of a performance-related bonus scheme, which also affected numerous employees below board level.

Sir Peter's basic salary had gone up by 4.5 per cent—the standard cost of living increase given to BP employees last year—but he had also been given a £50,000 bonus. Other executive directors received a £32,500 bonus if they had been on the board all year.

The bonuses — fixed at boardroom level by a committee of non-executive directors — are supposed to reflect both individual performance and that of the company, which last year recorded a 33 per cent rise in pre-tax profits, from £2.6bn to £3.4bn.

Despite the rise, Sir Peter is not BP's highest paid employee. That title goes to Mr Alton Whitehouse, chairman of Sohio, its 54 per cent-owned U.S. subsidiary, who was paid $868,000 last year, up from $787,695. Several other BP employees abroad are also believed to earn more than the main board directors.

Bonus schemes have become increasingly common among large UK companies in recent years. Last week ICI revealed that the remuneration of its chairman, Mr John Harvey-Jones, had risen by 68 per cent in 1984 to£287,261.

IMI's drinks dispenser side helps lift profits to £45m

SECOND-HALF PROFITS from the IMI Group have risen by £8m over the corresponding period of 1983. This gives a total of £45.1m for 1984, representing a growth of 43 per cent over the previous £31.6m. Significant increases were shown in drinks dispense, fluid power, and general engineering.

Turnover moved ahead by 9 per cent, from £676.3m to nearly £738m. The profit includes a metal stock surplus of £0.7m (£2.6m) and is after rationalisation and reorganisation costs £3.4m (£5.1m), and employees' bonus £1.3m (£0.8m). The final dividend is 2.5p for a total of 4.5p net, up from 4p.

In the UK sales came to £385m, an increase of 2 per cent, or 10 per cent after taking into account disposals. Overseas sales amounted to 48 per cent of the total, with exports from the UK at £115m, up by 20 per cent, and sales by overseas companies at £239m, ahead by 17 per cent.

A split of turnover and pre-tax profit shows :— building products £166m (£155m) and £6.6m (£7.5m); heat exchange £75m (£79m) and £4.4m (£2.5m); drinks dispense £118m (£98m) and £13m (£9.8m); fluid power £79m (£62m) and £9.3m (£4.9m); special purpose valves £38m (£36m) and £3.9m (£4.1m); general engineering and other activities £79m (£70m) and £6.5m (£2.6m); refined and wrought metals £249m (£243m) and £4.5m (£2.6m), less intra-group sales £66m (£67m) and finance and administration costs £3.1m (£2.4m).

Sir Robert Clark, chairman, says drinks dispense was again the biggest single source of profit, and both its U.S. and European based activities made encouraging further progress.

The international performance of the fluid power companies was particularly strong, and derived from major improvements in both market penetration and internal efficiency.

The improvement from the refined and wrought metals sector was primarily the result of a second half recovery in IMI Titanium. This was brought about by healthier demand, a hardening of prices and elimination of high priced raw material stocks. The rolled metals, stockist and roofing operations also did better, but there was a downturn in refinery profits.

Sir Robert says in the special purpose valve sector the group was unable fully to maintain the 1983 performance—demand in America remained low and margins came under pressure at one of the French companies.

The UK automotive radiator operations did "markedly better," with higher home and export sales from a lower cost base.

After tax £15.4m (£11.7m) and minorities £0.8m (£0.5m), the net attributable profit was £28.9m (£19.4m) equal to earnings of 10.7p (7.2p) per share. The effect of stock appreciation relief combined with accelerated capital allowances, other timing differences and the utilisation of losses from prior years, has been to reduce the corporation tax charge by £2.7m (£8.6m).

There is an extraordinary loss of £3.1m (£10.3m) which reduces earnings per share to 9.6p (3.3p). This loss consists of rationalisation and other costs of £1.7m, after tax relief, and a provision for deferred tax relating to prior years £1.4m.

By the end of the year shareholders' funds had risen from £219.3m to £230.7m, and net assets employed from £226m to £237.5m. Net borrowings stood at £89.7m (£66.6m).

● comment

The reshaped IMI has at last broken away from previous profit peaks, and there is more growth to come in 1985. Its important titantium business spent the first half of last year getting rid of high priced stocks: it made a profit in the second six months, and is now benefiting from stronger aerospace demand and less intense competition from U.S. and Japanese suppliers. IMI is still actively looking to break into the U.S. marker via a joint venture agreement. Volume on the fluid power side rose by 15 per cent in 1984, and IMI claims that a wider product range is helping to boost its market share in the UK and the U.S. The drinks dispense business has made further progress, and IMI is projecting volume gains of roughly 8 per cent a year for some years to come. It is also expecting that its overall UK activities will show further volume gains this year, although not perhaps on a par with the near 7 per cent rise achieved in 1984. The shares yield 5.6 per cent at 115½p.

Cocksedge

Cocksedge (Holdings), structural and mechanical engineer, cut its pre-tax losses from £152,000 to £68,000 over the first six months to September 30, 1984. Turnover totalled £1.93m (£1.25m).

There are signs of an upturn in activity and production of a number of orders received towards the end of 1984 is well advanced. However, it is not possible to asses sthese effects on the full-year results.

UBM and Norcros suspended

By Charles Batchelor

THE Stock Exchange yesterday suspended trading in the shares of Norcros and UBM in a move which prompted speculation that Norcros plans to renew its take-over bid for UBM, which lapsed 17 months ago.

Market opinion was not unanimous, however, and a number of analysts took the view that Norcros may be planning to place the 36.5 per cent holding it acquired in UBM during the course of the bid.

Norcros, a building materials group which has interests in H. and R. Johnson Tiles and Crittall Windows, bid £64m for UBM, a builders' merchant in August 1983.

It increased its offer to nearly £76m a month later but acknowledged the defeat of its bid in October 1983, after gaining acceptances from the holders of only 6.6 per cent of the shares — apart from its own 36.5 per cent stake.

The Stock Exchange suspension was carried out at both companies' request pending an announcement and following a 21p rise in the UBM share price on Monday. UBM was suspended at 160p — a price which values the company at £94.5m—while Norcros was suspended at 169p.

The Stock Exchange said yesterday it was keeping a close watch on the situation though it would not take a decision on whether to investigate UBM's price rise until the announcement was made.

When Norcros first launched its bid, its shares were trading at 142p while UBM was at 99p. The share prices of the two companies have since moved much closer to parity.

A renewed bid for UBM — possibly on the basis of one Norcros share for one UBM share — would rate UBM considerably more highly than many better performing shares in the building sector, analysts said. A share offer would lead to a dilution of Norcros's earnings per share.

"The UBM share price is signalling a bid, but it does not make sense," said one analyst.

In October, UBM announced a 50 per cent rise in pre-tax profits to £6.9m in the six months ended August, 1984 on turnover which rose 8 per cent to £177m. A few days later UBM sold its scaffolding business to British Electric Traction for £5.8m.

In December, Norcros disclosed that setbacks in its heavy engineering companies and losses at Crittall Construction had led to a fall in operating profits and to practically unchanged pre-tax profits of £14.1m in the six months ended September 1984. Turnover rose 9 per cent to £180m.

See Lex

Turner & Newall

Turner & Newall has sold the Tacbloc business of its subsidiary TAC Construction Materials to Tarmac Roadstone Holdings for £5m. The business, located at Alfreton in Derbyshire, produces autoclaved aerated concrete blocks.

Trident Computer in bid talks

Shares in Trident Computer Services, a USM-quoted supplier of computer staff, rose 5p yesterday to 65p, as the company reported first-half pre-tax profits of £125,000 (£181,000) and said it was involved in talks which might lead to an offer for the company.

Turnover in the six months to January 31 was £2.7m (£1.85m) and trading profits rose to £125,000 from £108,000. Earnings per share totalled 3p (3.9p) and the interim dividend is 0.6p (same).

Selmes increases Turriff holding

Shares in Turriff Corporation, builder and property developer, rose by 15p to close at 260p yesterday on news that a subsidiary of Bajau, a private company connected with financier Mr Christopher Selmes, had increased its stake in Turriff to 9.3 per cent.

Shell chief warns about downstream loss-makers

BY DOMINIC LAWSON

SHELL UK made a loss last year in its refining and marketinfi operations. It was the first loss by the company's downstream activities since they were set up in their present form in 1976.

The £35m operating loss, which compares with a profit of £28m in the previous year, did not include an extraordinary loss of £59m, which arose from the closure of the group's Teesport refinery.

However, as a whole Shell UK made a post tax profit of £383m in 1984, a 15 per cent increase over 1983s outturn of £334m. This foldlwed an 11 per cent rise in Shell's North Sea oil production to 367,000 barrels a day.

Mr Peter Everett, managing director of Shell Expro, said yesterday that the company's North Sea production had now risen to a record 415,000 b/d, and would average about 400,000 b/d throughout the year. The main reason for the surge in production was the attainment of maximum output from the Brent oil field, the UK's biggest.

At the pre-tax level Shell UK's exploration and production sector made a profit of £2.42bn, but after tax the profit was £589m. Overall, the group will have to pay the Government taxes and royalties totalling £3.7bn which Mr John Raisman, Shell UK's chairman, described yesterday as "a massive transfer of resources."

Shell UK's chemicals business reduced its losses from £51m to £1m. This was due to improvements in volumes, prices and operating efficiency.

Mr Raisman said yesterday that without losses on its downstream and chemical activities the company would have made net profits of well over £500m. He hoped the company would "be in that area this year."

The chairman added that the "grossly inadequate profits downstream in recent years cannot be allowed to continue. We are rationalising these activities. It makes no sense to use North Sea profits to prop up other businesses. They must stand on their own feet as viable businesses."

Mr Jaap Klootwijk, managing director of Shell UK Oil conceded yesterday that the company had been slow to rationalise its downstream activities, partly because of an earlier mistaken belief that volumes would pick up.

Shell UK's capital expenditure last year rose from £544m to £553m, of which £398m was spent on exploration and production. This year Shell Expro alone plans to spend about £550m, and another £150m is planned for the downstream and chemicals operations.

Since North Sea exploration began 20 years ago Shell has spent about £4bn on exploration and other North Sea capital expenditure. It expects to spend about £6bn in the North Sea over the next ten years.

Shell UK's biggest forthcoming North Sea development will be the Gannet complex of five North Sea oil fields. The company hopes to get Government approval for the development early next year.

Mr Everett said yesterday that the project could involve capital costs of between £2bn and £2.5bn.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
American Trust	1.85	May 16	—	2.9	2.5
Arthur Bell ...int.	1.55	June 3	1.4	—	4.8
C. H. Beazer ...int.	4	May 20	3.5	—	10.5
Bemrose	1	May 24	6.6	5.4	11
Booker McConnell	6.25	—	2.65	9	4.3
Brent Chemicals	2.75	—	2.2	3.5	2.8
Brewmaker	0.5‡	—	0.4	0.8	0.4‖
British Aerospace	8.4	—	5.6	13.65	9.1
Burgess Products ...int.	0.5†	May 10	0.5	—	0.5
W. Canning	2.4†	July 1	2	3.5	2.5
City of Aberdeen ...int.	6‖‖	May 2	3.86*	—	15
Croda Intl.	4	July 1	4	7	7
Delta Group	2.68	July 1	1.93	4.5	3.75
Dufay Bitumastic	0.8	May 15	1.8	1.8	2.8
Enterprise Oil	5	May 24	—	8**	—
Equity and Law	4.6	July 1	3.5††	5.6	4.5††
Gabicci‡ ...int	0.9¶	—	—	—	—
Carton Eng.	2	July 1	1.5	3	2.5
HB Electronic‡	0.75	May 25	0.7	1.25	1.12
Home Charm	1.75	May 24	1.25	2.75	2
IMI	2.5	May 24	2.5	4.5	4
Johnsn Cleaners sec.int.	15.24	—	9.42	18.6	12.42
Manson Finance ...int.	0.63	May 17	0.5	—	1
Murray Ventures ...int	1.5	May 24	1.05	—	4.05
Pressac ...int.	0.7	May 22	0.7	—	2.2
Reckitt & Colman	8.8†	—	7.85	14.3	12.4
Ricardo Engineers int.	0.88	April 12	0.88	—	2.5
Rohan Group	6.9‡‡	—	6.9	12.75†	12.75
Smith and Nephew	3.15	May 21	2.58*	4.55	3.75*
Standard Chartered	19	May 17	18.5	28.5	28
Trade Indemnity	4.69	—	5.14	8.44	7.5
Trident Computer‡ int.	0.6	—	0.6	—	1.6

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ As forecast at the time of co's introduction to USM in November 1984. ‖ 13 months. ** Compared with 7p forecast in June 1984 prospectus. †† Adjusted for subdivision. ‡‡ Irish pence throughout. ‖‖ Partly to reduce disparity.

UK COMPANY NEWS

Standard Chartered ahead despite higher provision

Standard Chartered reports pre-tax profits of £290.3m for 1984, an 8 per cent increase over the £268.1m achieved in 1983. This figure includes associated companies' profits, and was struck after a rise of £35m in provisions to £169m against bad and doubtful debts, of which £51m relates to general provisions.

The board is recommending a final 19p (18.5p) dividend, to bring the total for the year to an increased 28.5p (28p). Stated net arnings per £1 share fell by 16 per cent to 64.4p (77.1p).

Lord Barber, the chairman, says that the directors have continued to take a cautious view of asset quality in all major trading areas, and have considered it prudent to establish a high level of specific provisions.

This is in addition to nearly doubling the allocation for general provisions, which now stands at £200m (£131m), he says.

Operating results for 1984 reflect "excellent" performances from South Africa, mainly in the commercial banking business, and from Union Bank in California, Lord Barber says. However, the South African contribution to group results was diminished by the 23 per cent depreciation of the rand against sterling.

Hong Kong operations recovered strongly from the property related difficulties experienced in 1983. Malaysia recorded a "satisfactory" increase in profits, although Singapore's results were disappointing.

Lord Barber, chairman of Standard Chartered

The group's banking activities in tropical Africa again achieved satisfactory overall results, he adds.

Profits before tax, some £170.9m (£151.7m) of which were achieved in the second half, include non-recurring losses of £18m relating to the write-down of certain South East Asia investments, a realignment of the U.S. branches' bad debt provisions to generally accepted U.S. practice, and a 50 per cent provision on the Johnson Matthey bankers indemnity.

Increased interest charges on subordinated loan capital accounted for £73.3m (£39.7m).

A higher tax charge of £150m (£110.9m) is due primarily to tax changes in the UK and South Africa, Lord Barber says. Profits after tax and minorities of £40.2m (£43.5m) fell to £100m against £114m.

Total assets employed increased by £5.6bn during the year, to £34.5bn. About £3.1bn of the increase relates to the effect of currency movements, the chairman says.

● comment

Hard as it tries, Standard Chartered does not find it easy ot win friends in the City. It is difficult to convince the market of the merits of such a widely, sometimes thinly, spread group w itha big presence in South Africa. Yet Standard is making progress in concentrating more of its business in the more highly-rated markets—last year, for example, the attributable earnings from California equalled those from South Africa for the first time, notwithstanding a sound South African advance in miserable trading conditions. In the UK, Standard's advance is much slower—given that the possibility of bidding for the Royal Bank of Scotland is now very remote, the bank is struggling to make a real impression on the City. Turning to the balance sheet, it is clear that $600m loans the bank raised last year were no luxury—without the funds the free capital ratio would be well below the 4.9 per cent shown. On balance, the shares, up 5p to 465p, reflect an unduly pessimistic view of Standard's prospects— but at any rate it yields 2 points less than Midland.

Berger aids Hoechst to profits rise of 161%

Hoechst UK, the British arm of German chemicals giant Hoechst A.G., increased pre-tax profits last year by 161 per cent to £11.5m. The improvement was chiefly due to a doubling of profits in the Berger paint division and to a £3m fall in interest charges.

Group turnover was up 9 per cent to £570.6m. Turnover in chemicals was up 13 per cent to £235m, but profits were static at £8.2m.

Hoechst says pharmaceuticals — with turnover of about £18m in the UK — continued to suffer from inadequate margins. It said recent Government moves to limit drugs for prescription had contributed to Hoechst's decision to postpone investment on drugs research in the UK.

The group's fibres operations were profitable last year and the plastics business, which broke even in 1983, returned to modest profit. The paints division made a profit of £10.4m on turnover of £316m. In the past two years, the division has closed several factories and laid off some 2,000 employees.

The office equipment division, consisting of Kalle Infotec, met fierce competition in the UK market and saw its profit collapse from £1.0m to £0.1m on sales slightly down at £21.1m.

Interest charges fell from £12.8m to £9.8m. Borrowings were £6m lower at £93m and Hoechst said it had benefited further from lower interest rates. Shareholders' funds have risen to 25 per cent of the total capital employed of £287m.

This year, Hoechst says, borrowings will have to be reduced further, in view of the rise in interest rates. Capital expenditure last year was £11.4m and is planned to rise this year to £14.6m. No dividends were paid last year to the German parent.

The current year has got off to a good start in the first quarter, but sales are not expected to be materially higher than last year's

Croda up 14% but dividend pegged

Croda International, chemical processor, made further progress in 1984 with pre-tax profits up by 14 per cent from £17.57m to £20.05m, on turnover some 12 per cent ahead at £383.49m, against £341.13m. Sir Frederick Wood, the chairman, says he believes the pattern of growth will continue in the coming years.

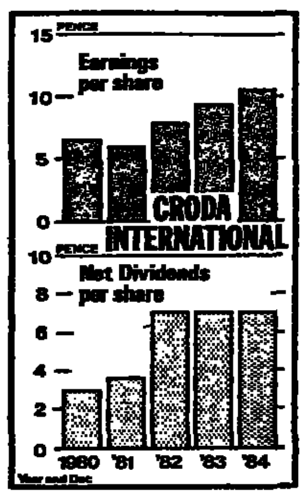
Net earnings per 10p share are shown up from 9.31p to 10.49p basic and from 8.43p to 9.52p fully diluted. The dividend however, is unchanged for the second successive year at 7p net, with a final of 4p.

Sir Frederick comments that Croda's speciality chemical operations have a "superb" record of growth over the last decade and form an increasingly important part of the whole group.

As for those divisions that are under-performing, he says "we are determined to raise their performance to satisfactory levels and if this proves impossible, then the division will either be sold or closed down."

The chairman reports that of the group's major subsidiaries, Croda Chemicals International stood out by continuing the excellent progress of the past few years, despite the miners' strike seriously affecting the results of the application chemicals division. This subsidiary group, which operates in the field of speciality chemicals, produced some 60 per cent of total profits at £12.2m (£10.16m).

Sir Frederick Wood, chairman of Croda



Croda World Traders raised profits from £2.55m to £2.78m. Good results were produced in four divisions—agricultural, hydrocarbons, Kimptons and bakery services—but two of the oil refinery divisions—premier oils and processed oils—had very difficult trading. Steeply rising commodity prices and severely competitive conditions resulted in poor results.

While Croda Polymers International—profits more than doubled from £1.18m to £2.57m—had a significantly improved year overseas, with good recoveries in Australia, New Zealand and the U.S., continued depressed conditions in the UK printing inks industry resulted in a loss in that business area.

Furthermore, there were depressed results in the paints division in the second six months, brought about by a sharply reduced level of business and very competitive conditions in the UK industrial paint market. The adhesives division had another successful year.

● comment

Croda's 14 per cent pre-tax improvement in 1984 must rank among the least inspiring in the chemicals sector; it was, after all, year when most European chemical companies could take a free ride on the dollar and demand was strong. Offsetting this, a fair degree of resistance to a falling dollar — and to the normal demand cycle — could be advanced as consolations for Croda shareholders in the current year. So too can the dividend which is continuing to pay the price of Croda's successful defence against Burmah; at 134p the yield is almost 8 per cent, and despite the sale of some substantial businesses since 1983, Croda's cash flow still bears a tell-tale minus sign. There are indeed one or two positive factors for 1985, including the elimination of some losses on companies sold and the absence of the miners' strike, while the Cromano consumer division might — why not? — strike it luckier with Marks & Spencer than last year. But the growth of the trading division's balance sheet, for no appreciable return, raises a question or two, in addition to the obvious problems of oil-refining.

Three companies call on holders for £12m

THREE COMPANIES announced plans yesterday to raise a total of £12.3m from investors through rights issues and a small placing of shares.

FKI Electricals has launched a rights issue to raise £7m after expenses, housebuilder Berkeley Group is asking its shareholders for £3.3m while Irish exploration company, Oliver Prospecting and Mining, announced a rights issue and placing to raise a total of I£1.87m.

FKI is issuing 19.1m ordinary shares on the basis of two for each nine held at 38p per share. With the cash call comes a profits forecast of £3.3m (£2.26m) pre-tax for the year ended this week. The directors are also forecasting a final dividend of 0.275p per share, making a total of 0.5p, an increase of 18 per cent.

The company has more than trebled profits since 1981-82 thanks to organic growth and a successful series of acquisitions. Since it came to market in September 1982 FKI has spent £7m on acquisitions, only once turning to raise long-term capital in the shape of a £2m convertible preference stock placing in 1983. The directors are asking for money now to "provide greater flexibility in considering potential acquisitions for cash."

The issue is underwritten by N. M. Rothschild and brokers are Panmure Gordon.

Berkeley's cash call comes as a one-for-four rights at 142p per share. As with FKI, the directors of Berkeley are raising money now to fund possible acquisitions.

The directors are forecasting that profits for the year ended April 30 1985 will not be less than £2.15m compared with £1.53m.

The issue has been underwritten by County Bank and brokers are Rowe & Pitman.

Oliver is proposing a one-for-two rights issue of 2.34m shares at (I)49p (40p sterling) and a conditional placing of a further 1.65m shares at the same price subject to shareholders' approval.

The principal purpose of the fund raising is to meet the exploration obligations of Wington Enterprises, a company which Oliver has agreed to acquire subject to shareholders' approval. Brokers, L. Messel, have underwritten the issue and Dublin brokers O'Brien and Toole are involved with the placing.

Equity & Law profit rises 26%

Equity & Law Life Assurance is increasing its dividend payout for 1984 by 24.4 per cent from 4.5p to 5.6p, after a 26 per cent rise in the total long-term business profits revealed by the end-year valuation.

The valuation showed a surplus of £60.8m, of which a net £5.35m was transferred to the shareholders' profit and loss account. Policyholders have already received their share of the profit in the form of higher bonus allocations.

Shareholders' profits for 1984 are £1.09m higher than in 1983. Some £230,000 of this increase arose from the higher terminal bonus rates paid in 1984 and a further £102,000 came from changes in the basis used by the actuary in his valuation.

Other earnings in the profit and loss account amount to £290,000 net and following its customary practice, Equity and Law has distributed all earnings to shareholders as dividends.

Mr P. Cox, chairman, points out that dividend payments over the past five years have risen by more than 20 per cent a year on average and the comparative steadiness in dividend increases —a feature not commonly found in the stock market — has contributed to the high rating given by the market to the company's shares.

Premium income last year rose by more than 20 per cent from £217m to £262m, while investment income climbed 18 per cent from £122m to £144m. Claims and expenses were nearly 15 per cent up at £204m against £178m. Total funds of the company rose by over £400m from £2.08bn to £2.51bn during the year.

The company invested £23m of new money on its main life fund in UK gilts and a further £21m in other fixed-interest securities. Some £14m was invested in UK equities and £6m in overseas equities. There was no investment in UK property and only £3m in overseas property.

At the end of the year, UK gilts amounted to £438m, UK equities £558m, overseas equities £215m and UK property £313m. Total assets on unit-linked business amounted to £641m, while overseas business totalled £191m.

● comment

Equity and Law's 25 per cent profit increase is marginally better than the market was expecting, reflecting, in part, a change in basis by the actuary in his valuation assumptions. Business is growing at a satisfactory rate, with the company's unit-linked business now amounting to a size comparable with many unit-linked life companies and making a useful contribution to profits. The company concentrated much of its investment last year in fixed interest securities, but its end year portfolio shows a satisfactory spread in all investments. New business growth has continued to be satisfactory this year and the outlook is for a further steady rise in profits. The shares improved 3p to 260p yielding 3.1 per cent.

County Bank profit up to £14m

County Bank, the merchant banking arm of National Westminster Bank, increased its pre-tax profits in 1984 by 25 per cent to £14.1m.

Mr Charles Villiers, chairman and chief executive, said the after tax profits were up 80 per cent, to £8.43m on last year. He stated that the bank also held an additional £15m or so in unrealised capital gains, mainly on the development capital side

Mr Villiers added that the bank had increased its provision against sovereign debt, "substantially."

According to the bank less than 50 per cent of profits came from investment related activities. The corporate advisory division accounted for the bulk of growth, with the value of bids and deals handled increasing to over £900m, compared to £157m in 1983. Equity issues in 1984 totalled £504m and the bank maintained its position as leading new issuer on the Unlisted Securities Market.

Mr Villiers said that recent regulatory changes had enabled County Bank to further its objective of creating an integrated investment bank, with links now established with stockbrokers Fielding Newson-Smith and stockjobbers Bisgood Bishop. He said that a new company, County Holdings has been formed as holding company for the group.

Total assets at the end of the year stood at £1.77bn, up from £1.5bn in 1983. Total value of all funds managed or advised rose from £4.7bn to £6bn.

Suter discloses profits shortfall at Francis

BY ALEXANDER NICOLL

Suter, the engineering distribution and packaging group disclosed yesterday that Francis Industries, the gearbox components and metal containers maker it acquired last year for £15.5m, did not meet a revised profit forecast made during the bid.

In listing particulars covering Suter's agreed £7.95m takeover of foundry group Lake & Elliot, Suter and Francis achieved pre-tax profits of £1.57m in 1984.

The unaudited figure compared with a forecast of not less than £2m made by Francis on November 9 1984. That forecast itself had been scaled down from £2.35m, and the shortfall from the original estimate caused Suter to withdraw its £18.5m agreed bid and reach final agreement on £15.5m. The agreements ended a long-running battle for control.

The final profit forecast assumed that Francis's operations would not be significantly affected by industrial action, and Francis warned that industrial action then in progress at Austin Rover, Jaguar, and its subsidiary Sagar-Richards "will, if they continue for much longer, adversely affect the forecast results."

Mr David Abell, Suter chairman, said yesterday that he has commissioned Suter's auditors, Coopers & Lybrand, to examine the reasons for the shortfall.

Suter accounted for Francis as wholly-owned from December 1, and as an associate from June 1. It included £0.47m from Francis in its pre-tax profits of £4.14m for 1984, which compared with £2.18m for 1983.

Suter reiterated that 1985 prospects were encouraging and that sales for the first two months of the year were significantly higher than the same period of 1984.

Octopus to sell Websters shops to W H Smith

By Alexander Nicoll

Octopus Publishing Group is selling the 15 retail bookshops and school book division of Websters, the book distribution group it acquired last December, for £21m, to W. H. Smith for £9m cash.

Mr Paul Hamlyn, chairman of Octopus, said his company had been principally interested in the Bookwise division of Websters, which has about 25 per cent of the UK wholesale market for paperback books. He saw Bookwise as an efficient marketing avenue for Octopus books.

"We are not retailers," he said. Octopus was therefore selling Websters Bookshops, a chain of specialist booksellers outside London, and Books for Students, which supplies 6,000 schools and 145 libraries.

W. H. Smith sees a fit between the bookshops and its 18-store Bowes and Bowes chain. Purchase of the school book division would take the retailing group into a new sector. It hopes to offer some of its other merchandise, such as stationery and calculators, to schools.

Under the agreement between Octopus and W. H. Smith, Books for Students will guarantee to continue buying books from Bookwise for three years and Websters Bookshops for one year.

The subsidiaries being sold had profits of £600,000, before tax and interest, in 1983.

Berkeley Exploration

Berkeley Exploration & Production, oil company, reports a loss of £335,000 for the year to December 31, 1984 against a loss of £410,000. Gross revenue was £8.7m against £72,000. Loss per share was stated at 3.3p against 4.1p. The company has not yet paid a dividend.

IN BRIEF

Manson Finance Trust maintained its momentum at the interim stage, with taxable profits surging ahead by 59 per cent from £404,000 to £644,000 in the six months to December 31 1984.

The interim dividend is raised from 0.5p to 0.625p, an increase of 25 per cent. Manson has close company status.

There was a higher tax charge of £282,000 against £160,000, leaving net profits at £362,000 (£244,000).

After minority interests of £3,000 (£8,000), attributable profits came out at £359,000 (£236,000).

Earnings per 20p ordinary share are shown at 1.2p (1.1p).

* * *

Taxable profits at Ricardo Consulting Engineers were lifted by 45 per cent from £552,000 to £801,000 in the half year to December 31 1984. Turnover moved ahead by 21 per cent from £5.06m to £6.12m.

The interim dividend is unchanged at 0.875p.

After higher tax of £371,000 (£203,000), attributable profits came out at £430,000 (£349,000). Earnings per share are shown at 2.98p (2.42p).

* * *

Taxable profits of Dufay Bitumastic fell from £568,000 to £506,000 in 1984. The group, engaged in the manufacture and application of surface coatings, lifted turnover from £15.34m to £17.75m.

The final dividend is halved to 0.8p making a total of 1.8p (2.6p). Earnings per 10p share are shown at 2.03p (2.2p).

The current year has started well. The directors look forward to a year of progress, with results more in keeping with the level of increased activity.

Johnson meets defence forecast

Johnson Group Cleaners achieved marginally increased pre-tax profits of £6.67m in 1984, compared with £6.3m previously, after allowing for a heavier interest charge up from £549,000 to £1.6m, and an exchange gain of £555,000.

Turnover rose from £56.9m to £70.3m, yielding a trading profit of £7.14m (£6.47m) for the 52 weeks to December 29 (53 weeks).

There is a second interim dividend of 15.42p (9.42p), making an 18.6p (12.42p) total for the year.

The results and dividend are as predicted last December during the unsuccessful bid by Nottingham Manufacturing. Stated net earnings per 25p share emerged slightly higher at 36.81p (36.77p).

Mr John Crockatt, group chairman, reiterates that the dry cleaning business suffered during the exceptionally long and hot spring and summer, and in certain areas from the miners' strike. There was a recovery later, he says, but it did not make up for the depressed summer trade. In the second half the group's taxable profits amounted to £3.96m (£3.35m).

The dry cleaning sector contributed £5.64m (£5.09m) to trading profits, on turnover up at £48.03m (£41.25m). In the UK the group is continuing to improve its range of dry cleaning shops, Mr Crockatt says, and to install "on the spot" shoe repair facilities in appropriate sites.

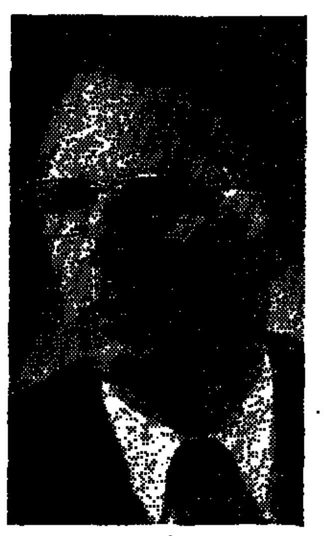
It also operates five drive-in units in the UK and has set up specialist curtain cleaning equipment in a large number of outlets.

Textile rental contributed £1.49m (£1.38) on turnover ahead at £22.25m (£15.74m). Growth in the UK, in both volume and profitability, has been against the general trend, the chairman says.

Performance in the U.S. was also in line with forecasts made during the recent bid. Operating profits there broadly covered all costs, he says, including finance charges from the acquisitions.

The U.S. dry cleaning companies which were part of the group for the whole year (Tuchman's and Capitol Varsity), showed "substantial" sales and profits increases. The more recent acquisitions are all operating satisfactorily, he adds.

Including the purchases in South Carolina, announced since the year end, total sales of Johnson Group Inc are currently running at an annual rate of $36m (£30.6m). The group is now one of the largest dry cleaning operations in North America, the chairman states. Disposals of



Mr John Crockatt

non-trading properties, amounting to about £4.5m, helped to finance the U.S. development during the year.

The pre-tax figure was struck after an increased £1.62m (£549,000) in interest charges. Exceptional items included a £37,000 (£221,000) contribution to the pension fund, and the exchange gain.

After tax of £1.84m (£1.48m), and extraordinary items adding £475,000 (£569,000), attributable profit emerged slightly lower at £5.3m (£5.39m).

● comment

In mid-December Johnson Group forecast profits and dividend in their defence against the Nottingham Manufacturing bid. As they were right to the last penny it is not surprising that the market has responded by marking the shares just 2p higher at 437p. However the bid defence cost £590,000 in fees and dividend cover has been shaved to the bone in order to reward shareholders for saying "no" Start-up costs of expansion in the U.S. have hit margins but in the coming year this is expected to pay dividends. Within weeks the group expects to make a further acquisition and capture 25 per cent of the South Carolina market. One result of the merger battle has been institutional pressure to tidy up the capital structure and action on the employees, shares scheme is promised this year. Most emphasis is going to have to go, however, on improving margins, down to 10.2 per cent overall, in order that profits show a real advance. This last year if it were not for the £550,000 made on the conversion of a U.S. debt, the pre-tax would actually have dropped and earnings per share were stagnant anyway.

Placing values Associated Steel at £11m

Associated Steel Distributors, a steel stockholding associate of Coutinho Caro, West German international trading group, is coming to the USM with a market capitalisation of £11.1m.

Hambros Bank has placed 860,000 new shares, or 12 per cent of the enlarged equity, to raise £1.2m net for the company. After the placing Coutinho Caro will retain a 79 per cent stake in Leeds-based ASD and has promised not to sell any shares in "the foreseeable future."

Profits have grown steadily from £1.13m pre-tax from sales of £38m in 1980, to £1.9m from a turnover of £52m last year. The company says improved trading conditions in 1984 have continued into 1985.

At the 155p placing price, the price/earnings multiple is 6.7 times, based on 1984 earnings adjusted for the interest saving from the funds raised in the placing and a tax charge of 18 per cent.

There is no profit forecast. But the directors are predicting a 8p net dividend for the current year, giving a 7.4 per cent yield at the placing price.

The broker to the issue is De Zoete and Bevan.

Chemical side bolsters Canning

AN IMPROVEMENT by W. Canning's core business, chemicals, coupled with a reduction in net interest charges turned a 5.5 per cent increase in groupp trading profits for 1984 into a rise of nearly 27 per cent at the taxable level.

Trading profits rose from £2.04m to £2.16m with £1.94m, against £1.37m, attributable to chemicals and allied materials. Interest charges were £298,000 lower at £213,000 which left the taxable result £411,000 ahead at £1.94m.

Mr F. J. Essex, group chairman, says that all subsidiaries traded profitably with the exception of Marston Bentley Inc and Copal Foundries.

Losses at Marston were due, says the chairman, to investment to increase market share for sealants in the U.S.

Chemical activities "all performed very strongly, benefiting" he says, "from improved market conditions at home and overseas."

Precious metal prices, however, were "increasingly disappointing through the year and the resultant profit shortfall was made worse by the lower volumes processed."

Electronics turnover increased and there was a small rise in gross margins. "However, sales and incremental profit in the December month were adversely affected by the general downturn in the electronic market," says Mr Essex.

He adds that group profitability was affected by both an increase in overheads and investment, but says that "subject to the continuance of the present favourable economic climate in our home and overseas markets the company is well placed to achieve improved results in the 1985 year."

The dividend total for 1984 is up from 2.5p to 3.5p (a final of 2.4p is recommended) which is better than the 3.25p forecast

Stated earnings per 25p share rose from 7.32p to 9.95p, after tax of £377,000 against £512,000 — minorities accounted for £54,000 (£39,000).

● HB Electronic Components, a subsidiary which has a USM quotation, increased its pre-tax profits in 1984 from £104,000 to £167,000, despite a slowdown in the second half.

Turnover rose from £3.21m to £4.75m — the company has interests in the distribution of electronic components and production aids.

A higher final dividend of 0.75p (0.7p) is recommended, making a total distribution of 1.25p

● comment

Brent Chemicals' short foray into the shares of Canning last year highlighted the company as a bid target. With market speculation rife, a number of white and grey knights were soon on to Canning's head office —Croda may well have been among that select band. So in the glare of that spotlight, Canning could have hoped to have something better to report to its shareholders than yesterday's profits rise of 27 per cent which left the shares 15p lower at 92p. Chemicals is living up to expectations, especially in export markets despite the strong competition from Germany and Japan but the metals side is in the doldrums, with falling precious metal prices, and electricals (the separately quoted HB) is also a dull performer by Canning's standards. This year chemicals will have to provide the lion's share of the group's growth again though an initial contribution from the U.S. purchase, Gazell, should provide a significant sum. That assumes Canning retains its independence. Perhaps the main defence is the three-legged structure, though a determined predator would soon dispose of the unwanted parts, and a p/e of 9.6 suggests that there is little speculative froth left in the price.

Bemrose dives to break-even for year

PROBLEMS caused by the installation of new computer and laser technology at the Bemrose Corporation have driven group pre-tax profits down to near break-even for the year to December 29 1984.

The downturn, from £3.21m to £152,000 and forecast by the directors last November, was caused predominantly by problems in the security printing business, particularly cheque printing.

However, group chief executive Mr David Wigglesworth tells shareholders that by year-end the major technical problems had been solved and Bemrose was able to achieve full-scale production to meet the requirements of its bank customers.

Looking to 1985 he says a plan for reconstruction of the security printing operation has been drawn up. He adds that although significant costs will be borne in the opening six months, when fully implemented the restructuring will make a major contribution to the restoration of satisfactory profit levels.

Mr Wigglesworth anticipater a return to profitable trading by the second half of 1985 and with this in mind is recommending payment of a finanl dividend of 1p. This leaves shareholders with a total distribution of 5.4p net, compared with a previous 11p.

The directors warned last November that as a result of costs and the loss of revenue being incurred through problems of installing new methods and technology in the production of cheques pre-profits for 1984 were expected to be around break-even. After six months they had dropped to £261,000 (£1.15m).

Apart from new technology problems the year's results were adversely affected by delays in the development and subsequent closure of the text processing activity in the security printing division—this was mostly reflected n extraordinary charges of £232,000.

As a result of this the directors say there is litigation pending with the supplier. A new system has been installed, the benefits of which will be seen in the second six months of the current year.

Turnover for the past year moved ahead from £45.9m to £52.49m—the group has other interests in speciality advertising and packaging.

Loss per 25p share emerged at 5.19p, against earnings of 23.02p.

● comment

Every recent announcement from Bemrose has revealed more about the troubles which have struck its security printing division. But it is still not clear that the worst is over—while the technical problems in high-technology cheque printing have apparently been solved, Bemrose has yet to recover from the loss of market share to rivals like Norton Opax in this highly-competitive field. Also, the company has not quantified its planned job cuts—but perhaps 50 people will go, making total redundancy and other costs of maybe £0.5m. With net debt at about £9m, or 65 per cent of equity funds, the company will have to do its utmost to generate cash in the coming months—not easy when other group businesses, notably calendars, are seasonally biased towards the second half. In this context, it is hard to see why the company has recently spent £2.7m on its first U.S. acquisitions—even if the strategy is right, the timing seems inopportune. The shares, down 8p to 160p, against last year's peak of 235p, have little appeal since recovery in group profits seems at least a year away.

Brewmaker record

BREWMAKER, home brewing and soft drinks group, continued to experience pressure on margins in the year to January 31 1985, with prifits up 10.3 per cent on turnover up 48 per cent.

Pre-tax profit was a record £633,525 (£574,492) on turnover of £8.64m (£5.83m). Earnings per share were quoted at 2p (2.3p) and a final dividend of 0.5p is being recommended, making 0.8p (0.4p) for the full year.

Comparative figures, except dividend, have been adjusted to compensate for the 13 month accounting period to January 31 1984.

Gabicci on target

Gabicci, designer and supplier of casual menswear, reported pre-tax profits up 27.3 per cent to £252,000, against £198,000, in the six months to December 19 1984. Turnover was up 8 per cent to £2.69m against £2.48m.

Earnings per share were quoted at 2.61p and an interim dividend of 0.9p is being recommended, the first since the company came to the USM in November 1984.

The board notes that the company is on target to achieve its forecast of not less than £700,000 pre-tax profit in the full year.

A. Bell maintains share of Scotch whisky market

THE LATEST industry figures for Scotch whisky sales in the UK indicate that Arthur Bell & Sons has done better than some of its competitors.

Mr Raymond Miquel, group chairman, says in his interim statement that while sales in the first half of 1984-85 declined from £114.1m to £113.32m the industry figures show an overall drop of 4 per cent.

This, he says, "indicates that Bell's Scotch Whisky has maintained its market share of over 20 per cent," and adds that the company will in 1985 spend over £3m on promotional activity in the UK.

The traditional Scotch whisky division again accounted for the lion's share of profits, but the inclusion of the hotel side this time was largely behind a rise from £19.06m to £20.71m at the taxable level. Total turnover rose by £22.45m to £169.48m.

The hotel division was brought into the group in February last year. It encompasses the Gleneagles hotel in Perthshire, the Caledonian and North British hotels in Edinburgh and a 99-year leasehold interest in the Piccadilly hotel in London.

Each of the four hotels made a "positive contribution" to an operating profit of £2.17m although the performance of the Piccadilly performance was restricted by the start of refurbishment in October.

While the refurbishment costs have arisen from an estimated £10.13m to £16m, Mr Miquel is confident that the New Piccadilly will prove to be a sound investment for the hotel division.

Also included for the first time in a first-half report was Wellington Importers which added £364,000.

Scotch whisky generated operating profits of £18.67m, against £18.43m. Lower sales at home were in contrast to exports which rose from £20.17m to £25.09m.

Volume growth in exports was spread over several markets and was "substantially ahead of the four per cent increase reported by the Scotch whisky industry," says the chairman.

Exclusive distributor houses have recently been appointed in the U.S., where marketing operations were commenced last May using Wellington importers to obtain operating licences.

Promotional spending this year in the U.S. will be around $2m but "it will take some time to see substantial increases in sales volume as Bell's Scotch Whisky will be selling at premium levels."

Glass Container operators contributed less at £30,000 (£205,000) and the transport side added £162,000 (£113,000).

Shareholders are set to receive a higher interim dividend of 1.55p (1.4p) which is covered more than six fold by basic earnings per share of 10.03p (10.07p).

Taxable profits were struck after net interest charges of £654,000 (receivable £344,000). The tax charge was £8.28m (£7.81m).

● comment

Arthur Bell's results, though delivered with all the panache of the 19th Hole at Gleneagles, were not particularly inspiring. Bells managed to hold its own in a declining UK market for whisky, but not without some shaving of margins on its brands; overseas, sales by value were up 20 per cent. With the group merely running to stay still at home, Bells was surely right to seek direct entry to the U.S. market through the purchase of Wellington Importers—though the going here will certainly be tough. The second half will see some improvement overall, although the hotel division will be held back: the New Piccadilly will not open until mid-summer and those who thought that a £10m refurbishment seemed generous must be aghast at the further £6m to be spent on providing those sporting facilities so dear to the chairman's nature. Once again, however, the strategy is sound even if a full-year performance of around £38m before tax suggests little for the share price, down 12p to 148p yesterday.

Brent Chemicals advances 19% despite fall in sales

Brent Chemicals International, manufacturer of industrial chemicals, announced pre-tax profits up 18.9 per cent to £4.81m in the year to December 31 1984, against £4.05m.

Turnover was down 6.6 per cent at £51.51m (£55.14m) because sales of Brent Chemicals Corporation, U.S., were included for the first six months of the year only. The subsidiary was disposed of in June. The effects of this were partially offset by the inclusion of sales of Leeder Chemicals, U.S., acquired in October.

Earnings per 10p ordinary share, after deducting tax of £1.65m (same), minorities of £90,000 (£129,000) but crediting extraordinary items of £389,000 (debit £419,000), were stated at 7.6p (5.6p).

A final dividend of 2.75p (2.2p) is proposed, making a total for the year of 3.5p (2.8p).

Mr H. W. Cross, chairman, says trading conditons in 1984 were generally better than in the previous year. All divisions contributed higher sales and profits.

Ardrox resumed its advance, benefiting from more buoyant conditions in the aerospace business and a larger contribution from engineerin gsystems business.

Metal finishing maintained consistent progress, with emphasis continuing to be placed on the expanding industrial markets in the Far East and India.

Food, beverage and packaging made good headway against a background of dull trading conditions in the UK food industry.

Mr Cross believes the group has never been in better condition. The quality of earnings has been further enhanced and the group intends to maintain the trend. He says the group is excellently placed to continue rapid and profitable expansion.

Mr Cross announces that he will retire at the forthcoming annual meeting, to be succeeded by Sir Peter Lane, a director since 1976. Mr Cross will remain on the board as a non-executive director.

● comment

Brent Chemicals has at last put behind it the unfortunate venture into U.S. laundry chemicals, with the sale of BCC mid-year. It would be unfair to regard this failure as evidence of any lack of ability in the group to pick out good acquisitions elsewhere, but it does highlight how a single unlucky purchase can take up a disproportionate amount of management time. This point is relevant given that Brent is ready to make new acquisitions in the UK and West Germany as well as the U.S. where it bought Leeder late last year. A couple of successful buys would go a long way towards restoring Brent's reputation to the heights reached in the 1970s when it was a pioneer of investing in speciality chemicals. Without a fresh impetus, Brent will look sluggish since some group businesses, notably the food, beverage and packaging division and metal finishing in the UK have fairly dull prospects. The shares, unchanged at 124p are well up with events — assuming current year profits of £5.5m pre-tax and a 35 per cent tax charge they trade on a multiple of 14.

Dee bid has cost Booker £2.1m so far

By Alexander Nicoll

Booker McConnel, the agribusiness, food distribuition and heatlh products group, yesterday put the cost of its efforts to ward off Dee Corporation at £2.1m in 1984.

The figure was disclosed in Booker's preliminary results for 1984, most of which had already been included in the defence document against Dee's current £334m bid, which reaches the first closing date on Friday.

Last summer's bid lapsed when it was referred to the Monopolies Commission.

Mr Jonathan Taylor, managing director, said the total included fees for lawyers and professional advisers, such as its merchant bank, S. G. Warburg, as well as the costs of putting Booker's case to the Monopolies Commission. The 1984 figure is expected to cover virtually al lthe defence costs, leaving a very small amount to be charged in 1985.

The £21m was included in extraordinar yitems, totalling a profit of £17.6m after tax, mostly relating to disposals and closures covered in Booker's first half 1984 results.

Fo rthe ful year Booker had pre-tax profits of £36.8m (£25.1m) on turnover of £1.1bn (£1.0bn) and earnines per share rose to 19.27p (12.08p).

After tax of £10.3m, minorities of £2.2m (£1.4m), and extraordinary gains of £17.6m (nil), attributable profit was £41.9m (£15.1m). Dividends totalling 9p (4.3p) took £11.4m (£5.4m).

Booker reiterated that all its businesses have started 1985 strongly and that it was confident about their performance this year.

MINING NEWS

ERC nearer to platinum hopes

THE UK-REGISTERED East Rand Consolidated (ERC) mining investment house with interests in South Africa has formed a new mining company, Rhodium Reefs, which may eventually realise ERC's long-held hope of becoming a platinum producer.

Rhodium Reefs intends, for a start, to mine vanadium at the Kennedy's Vale No 361 farm in the Lydenberg district of South Africa's Eastern Transvaal. But it will also expand exploration of the platinum-bearing Merensky and UG2 reefs in the area.

The Lydenberg area mineral rights are held by Erconovaal, the wholly owned ERC subsidiary in South Africa. This company, it is pointed out, will benefit substantially from any mining venture undertaken by Rhodium Reefs.

Strapped for cash, the leading U.S. copper producer Phelps Dodge plans to sell its 44.6 per cent stake in the Black Mountain lead-copper-zinc-silver mine in South Africa's north-west Cape which returned to profit last quarter. The most obvious purchaser — provided the price is right—would be the Consolidated Gold Fields group's Gold Fields of South Africa which owns the rest of Black Mountain.

The ERC group also plans to obtain a separate listing on the Luxembourg and Johannesburg stock exchanges for its Luxembourg subsidiary, Consolidated Afex Corporation. A detailed circular regarding this move is shortly to be sent out to ERC shareholders.

Meanwhile, ERC has announced a pre-tax profit for 1984 of £1.06m compared with £483,149 in 1983. The latest profit, however, includes an exceptional gain of £549,198 made on the sale of the longstanding investment in Witwatersrand Nigel.

Net earnings of ERC for the past year come out at £873,840 against £134,659. Excluding the exceptional item, latest earnings equal 1.65p per share against 1.55p last time and ERC is doing no more than maintaining its dividend at 1.15p net per share. This stood unchanged at 73p yesterday.

Sherritt forecasts profit

CANADA'S Sherritt Gordon Mines forecasts a return to profitability this year after suffering its worst-ever loss in 1984, when there was an operating loss of C$8.6m (£5.32m) before an extraordinary loss of C$4.2m. In the previous year the company made a profit of C$4.83m.

Sherritt's annual report predicts a strong demand in the spring for the company's fertiliser in Western Canada, although it is thought export market may be softer than last year.

Profits from metal refining and fabricating are expected to increase in line with stronger demand, higher prices for nickel and continued firmness in cobalt prices.

Sherritt regards the outlook for the mining division as uncertain and is looking for third paries to invest in the sector. A modest cash flow is expected from the Fox and Ruttan copper-zinc mines in Manitoba, given a 7 per cent improvement in copper prices.

EQUITABLE UNITS

Daily prices as at 26 March 1985

EQUITABLE UNITS ADMINISTRATION LIMITED
35 Fountain Street, Manchester M2 2AF – 061-236 5685

Authorised Unit Trust Prices	Bid	Offer	Yld%
Far Eastern	51.1	54.4	0.98
Gilt & Fxd Int	47.6	50.7	9.84
High Income	54.4	57.9	8.28
North American	51.7	55.0	2.69
Pelican—See UT Information Service			
Special Situations	54.7	58.2	3.18
Tst of Invstmt Tsts	53.8	57.3	2.05

EQUITABLE LIFE ASSURANCE SOCIETY
4 Coleman Street, London EC2R 5AP
01-606 6611

Insurance Fund Prices	Bid	Offer
Far Eastern	101.7	107.1
Fd of Invstmt Tsts	106.0	111.6
Gilt & Fxd Int	97.0	102.1
High Income	107.4	113.1
Managed	101.2	106.5
Money	96.9	102.0
North American	102.8	108.2
Pelican	105.5	111.0
Property	96.5	101.7
Special Situations	107.4	113.0
Pension Fund Prices		
Pens Far Eastern	103.5	108.9
Pns Fd of Inv Tsts	109.1	114.8
Pens Gilt & Fxd Int	97.5	102.6
Pens High Income	110.8	116.8
Pens Managed	103.6	109.0
Pens Money	98.3	103.5
Pens N American	104.7	110.2
Pens Pelican	108.1	113.8
Pens Property	97.2	102.3
Pens Special Sits	110.9	116.7

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Ben Bailey Construction, Blue Bird Confectionery, Bryant Holdings, Burton, Charterhall, Frogmore Estates.

Finals:—Aidcom International, Associated Book Publishers, B.A.T. Industries, Babcock International, Biomechanics International, Britannia Arrow, Britannic Assurance, Bunzl, Carpets International, R. Cartwright, Coats Patons, DRGG, Cecil Gee, Gibbs and Dandy, Jantar, Leopold Joseph Sterling Fund, Metal Closures, Monument Oil and Gas, Ocean Transport and Trading, Prudential, Rea Brothers, Rotork, Sovereign Oil and Gas, Supra, Tharsis, VG Instruments.

FUTURE DATES

Interims:—

Arbuthnot Dollar Income Trust	Mar 29
Aranson	Apr 2
Fisher (Albert)	Apr 10
Westminster & Country Props.	Mar 29

Finals:—

Automated Security	Mar 28
Boustead	Apr 16
British Dredging	Apr 10
Eastern Produce	Apr 2
English National Investment	Apr 23
Evered	Apr 2
Keep Trust	Apr 2
Laird Group	Mar 29
Martin (Albert)	Apr 3
Pearl Assurance	Apr 10
Miller (Stanley)	Apr 1
Wills (George)	Mar 29
Wordplex Information Systems	Apr 26

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday March 27 1985

NatWest's $400m floater tests new UK rules, Page 38

WALL STREET

Chill winds follow more forecasts

A DISTINCT chill came over Wall Street yesterday morning after several major U.S. corporations followed IBM in warning of disappointing progress in the opening quarter of this year, *writes Terry Byland in New York.*

General Electric fell sharply after commenting on profits trends, while references to the adverse effects of the dollar from Minnesota Mining & Manufacturing and from Hercules also served to check an early advance by blue chips.

Selling of some selected blue chips was heavy, and at mid-morning, losses were rapidly replacing early gains. However, the rout was checked by a further dip in the federal funds rate which spurred the bond market ahead as it awaited news from the auction of $6.25bn in four-year Treasury notes, which represents the first leg of the week's $16.25bn funding programme by the Federal authorities.

At noon, as traders showed their hands at the auction, the yield on the four-year notes dipped to 11.28 per cent from 11.35 per cent overnight and 11.37 per cent on Friday.

Stocks soon responded and an early fall of more than three Dow points was replaced with a similar gain, until buying faltered in the final hour of trading. A convincing rally in technology stocks, featuring Texas Instruments, $2½ up at $111½ and Data General, $1⅛ higher at $43¾, provided the impetus for the market's recovery.

At the close, the Dow Jones industrial average was a net 0.22 points down at 1,259.72 on turnover of 90.2m shares.

Nevertheless, the rash of corporate profits warnings was a blow to confidence on Wall Street, which has been assuming that corporate earnings will, at worst, hold steady in 1985. The pessimistic forecasts from IBM, 3M and other major names indicates that 1985 profit totals now depend heavily on the progress of the U.S. economy in the second half of the year.

General Electric, delayed at the opening by some confusion over the contents of the board's earnings statement, later fell sharply, topping the active list in hefty selling, after confirming that first-quarter results will fall short of expectations. The stock showed a loss of $1¼ to $59¾.

A further substantial upset came when 3M downgraded its first-quarter forecasts, blaming both the effects of the dollar and slower-than-expected growth in the economy. 3M, also delayed at first, reopened to drop $2¼ to $81¾.

The warning on the dollar – of general significance to the Wall Street leaders – was repeated by Hercules, which dipped $⅛ to $32¾ after predicting a 20 per cent drop in earnings for the first quarter.

Other shocks from the corporate sector included General Mills' disclosure that a $113m charge will bring a loss for the current quarter – which lowered the shares by $¼ to $56¼.

The technology sector was active, after both AT & T and Burroughs revealed new product plans. Despite these signs of stronger competition, IBM rallied $⅝ to $125⅝. AT & T, which has made a determined move towards the desktop office computer market with its new model, was subdued at an unchanged price of $21¼. Burroughs, announcing a new mainframe machine, added $⅝ to $58¼.

A major casualty was Control Data, down $1⅛ to $30⅞ after the computer industry analyst at E. F. Hutton sharply reduced his profits forecast and recommended selling the stock.

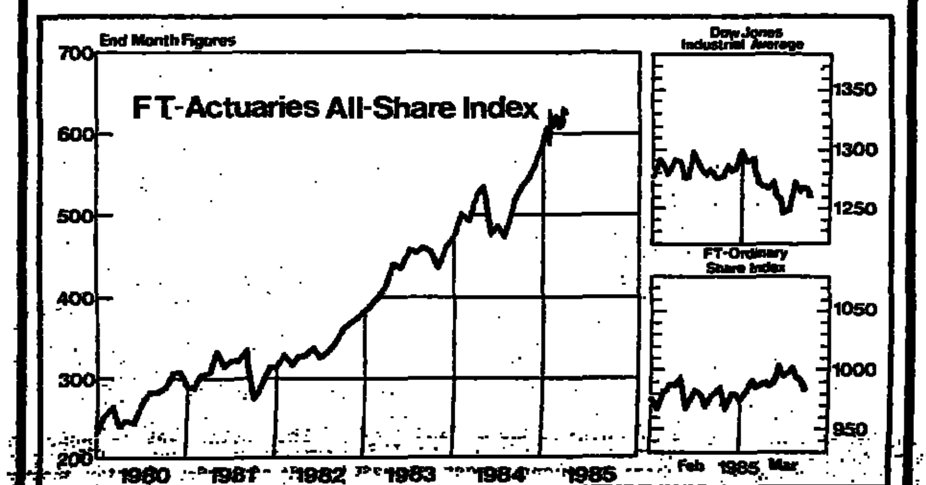
In the motor sector, General Motors added $½ to $74⅞, Ford $½ to $43¾ and Chrysler $34⅝ plus ¼, all responding to the better-than-expected trend of industry sales in the first half of March. But American Motors, which announced that it was extending its offer of cheap financing on its slow selling small car models, shed $¼ to $3⅝.

Oil stocks also improved led by Exxon, $½ higher at $50½ after disclosing the sale of some European assets to Statoil. At $48⅞, Atlantic Richfield 48¾ plus ⅝. Confirmation that Gaines Berland has been an "active buyer" put another $1⅛ to $43¼ on Tenneco.

With the federal funds below 8 per cent at one stage, Treasury bill rates showed a fresh fall from the overnight auction rates. Yielding 8.80 per cent, six-month bills were 4 basis points off.

In the bond market, gains extended to around half a point, putting the price of the key long bond at 96 7/32.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Mar 26	Previous	Year ago
NEW YORK			
DJ Industrials	1,259.72	1,259.94	1,152.95
DJ Transport	595.66	593.00	499.59
DJ Utilities	150.18	149.16	127.55
S&P Composite	178.43	177.97	156.67
LONDON			
FT Ord	982.0	989.9	875.0
FT-SE 100	1,290.4	1,297.8	1,119.7
FT-A All-share	622.16	625.44	521.40
FT-A 500	679.80	683.66	565.68
FT Gold mines	500.3	499.7	644.2
FT-A Long gilt	10.59	10.60	10.06
TOKYO			
Nikkei-Dow	12,486.15	12,493.26	10,483.7
Tokyo SE	1,001.80	1,002.00	824.36
AUSTRALIA			
All Ord.	817.8	821.2	732.3
Metals & Mins.	505.5	510.1	512.9
AUSTRIA			
Credit Aktien	72.03	71.19	54.99
BELGIUM			
Belgian SE	2,271.06	2,293.6	–
CANADA			
Toronto			
Metals & Minls	2,039.18	2,049.7	2,289.0
Composite	2,594.62	2,595.4	2,357.0
Montreal			
Portfolio	128.84	128.83	115.05
DENMARK			
Copenhagen SE	179.83	179.73	182.28
FRANCE			
CAC Gen	209.4	209.7	163.1
Ind. Tendance	114.20	114.40	86.36
WEST GERMANY			
FAZ-Aktien	415.54	415.10	350.51
Commerzbank	1,204.1	1,202.2	1,029.1
HONG KONG			
Hang Seng	1,344.13	1,362.23	1,156.95
ITALY			
Banca Comm.	277.10	279.10	221.42
NETHERLANDS			
ANP-CBS Gen	203.9	204.5	158.0
ANP-CBS Ind	165.2	166.2	127.8
NORWAY			
Oslo SE	303.21	306.24	256.2
SINGAPORE			
Straits Times	825.97	831.26	1,000.86
SOUTH AFRICA			
Golds	1,008.7	1,017.0	1,002.9
Industrials	879.7	871.3	1,105.3
SPAIN			
Madrid SE	111.83	111.32	83.71
SWEDEN			
J & P	1,403.56	1,409.38	1,544.01
SWITZERLAND			
Swiss Bank Ind	424.4	426.9	365.8
WORLD	Mar 25	Prev	Year ago
Capital Int'l	199.7	201.0	184.9

GOLD (per ounce)

	Mar 26	Prev
London	$324.00	$315.75
Zürich	$324.50	$315.25
Paris (fixing)	$315.31	$315.77
Luxembourg	$315.35	$315.60
New York (Apr)	$324.40	$316.40

* Latest available figure

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	Mar 26	Previous	Mar 26	Previous
$	–	–	1.1825	1.1715
DM	3.209	3.2375	3.795	3.795
Yen	255.45	256.65	302.0	300.75
FFr	9.8025	9.8875	11.59	11.59
SwFr	2.721	2.741	3.2125	3.21
Guilder	3.628	3.6565	4.2875	4.32
Lira	2,042.5	2,061.0	2,414.25	2,410.0
BFr	64.55	65.05	76.35	75.2
C$	1.377	1.3825	1.627	1.6175

INTEREST RATES

	Mar 26	Prev
Euro-currencies (3-month offered rate)		
£	13 11/16	13 11/16
SwFr	5⅞	5 15/16
DM	6 1/16	6 1/16
FFr	11 1/16	11 1/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	9 5/16	9 7/16
6-month U.S.$	9⅝	9 11/16
U.S. Fed Funds	8	8 5/16
U.S. 3-month CDs	8.85	9.00
U.S. 3-month T-bills	8.32	8.42

U.S BONDS

	Mar 26* Price	Mar 26* Yield	Prev Price	Prev Yield
Treasury				
10⅜ 1987	100 5/32	10.643	100 3/32	10.714
11⅝ 1992	99 27/32	11.687	99 9/32	11.80
11¾ 1995	97	11.766	96 17/32	11.84
11¼ 2015	96 7/32	11.716	95 25/32	11.764
Corporate	Mar 26*		Prev	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	95⅛	11.65	94.194	11.90
3⅞ July 1990	73⅞	10.62	73⅞	10.62
8¾ May 2000	74¾	12.50	74½	12.55
Xerox				
10⅞ March 1993	97	11.20	91⅞	12.35
Diamond Shamrock				
10⅜ May 1993	90⅞	12.50	90⅞	12.45
Federated Dept Stores				
10⅞ May 2013	74¾	12.50	74½	12.55
Abbot Lab				
11.80 Feb 2013	94.186	12.55	94.465	12.65
Alcoa				
12¼ Dec 2012	94.72	12.95	94.01	13.05

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
June	69–09	69–10	68–20	68–20
U.S. Treasury Bills (IMM) $1m points of 100%				
June	91.14	91.16	91.04	91.00
Certificates of Deposit (IMM) $1m points of 100%				
June	90.43	90.46	90.21	90.18
LONDON				
Three-month Eurodollar $1m points of 100%				
June	89.88	89.89	89.81	89.66
20-year Notional Gilt £50,000 32nds of 100%				
June	105–28	105–16	105–14	105–13

COMMODITIES

(London)	Mar 26	Prev
Silver (spot fixing)	532.95p	536.35p
Copper (cash)	£1,200.50	£1,185.50
Coffee (May)	£2,296.50	£2,312.50
Oil (spot Arabian light)	$27.80	$27.80

LONDON

Rate fears depress the mood

FURTHER indications of the Government's reluctance to allow interest rates to fall too quickly left London shares lower on the day and the FT Ordinary index finished down 7.9 to the session's lowest level of 982.0.

A continued list of trading statements brought mixed responses. Preliminary results took British Aerospace up 20p to 398p and Standard Chartered added 5p to 465p. The interim statement from Arthur Bell fell short of expectations, leaving the share down 12p at 148p.

Chief price changes, Page 30; Details, Page 31; Share information service, Pages 32-33.

HONG KONG

THE ABSENCE of foreign institutional buying of Jardine Matheson stock and the unwillingness of local buyers to step into the void ahead of the group's results on Friday, undermined Hong Kong, leaving the Hang Seng index to close down 18.10 at 1,344.13.

Jardines shed 35 cents to HK$8.95 as market speculation about a possible takeover of it, or perhaps Hongkong Land, abated. HK Land slipped 5 cents to HK$4.85.

Swire Pacific was unchanged at HK$ 21.90 in continued response to Monday's results, but Hongkong Hotels dipped 50 cents to HK$32 as investors registered disappointment with its announcement of a 9 per cent rise in profits.

SINGAPORE

LACK of buying demand in the run-up to the end of the current settlement month left Singapore lower and the Straits Times industrial index finished down 5.29 at 825.97.

Cycle & Carriage, which has enjoyed a run-up amid reports of a possible takeover, traded another 10 cents higher at one stage. However, the stock turned down late in the day after indications that no deal was in the offing, to close 16 cents off at S$4.02.

AUSTRALIA

AN EASIER trend among precious metals prices left Sydney turning back from the record high set on Monday amid the view that the market's recent run-up may have been overdone. The All Ordinaries index fell 3.4 to 817.8.

BHP was heavily traded, losing 12 cents to A$5.96 and CSR shed 2 cents to A$2.88.

Arnotts, for which Bond Corp is bidding A$4.20 a share, rose 10 cents to A$4.30.

SOUTH AFRICA

THE lack of a clear lead from world bullion prices left gold shares easier at the end of a thin day's trading in Johannesburg. Vaal Reefs shed R4.25 to R181, while Grootvlei lost 15 cents to R17.35.

Diamond share De Beers eased 5 cents to R9.65 but mining financial Anglo American added R1 to R24. Both groups have major interests in Minorco, which was steady at R17.50 ahead of interim results.

CANADA

A MIXED tone was seen in Toronto, continuing the uncertainty of the previous session.

Canadian Commercial Bank preferred shares remained halted after Monday's C$225m Government-backed financial rescue: the bank projected a possible return to profitability next year.

Gold shares were higher with Campbell Red Lake up C$1⅛ at C$28¾ and Dome Mines C$⅝ ahead at C$12¾.

Montreal moved marginally higher.

TOKYO

Hopes rise of fresh price surge

EXPECTATIONS that stock prices will rise during the coming month mounted rapidly in late Tokyo trading yesterday, enabling equities to recoup most of the ground they lost in the morning, *writes Shigeo Nishiwaki of Jiji Press.*

Investors selectively sought large-capital chemical, shipbuilding and biotechnology-related stocks, anticipating they would spearhead a renewed advance.

The Nikkei-Dow market average lost 35.57 points in early trading, but picked up to close only 7.11 lower at 12,486.15. Volume soared from 247.11m to 410.86m shares. Declines outpaced advances by 438 to 335, with 156 issues unchanged.

Institutional investors generally remained on the sidelines in the morning but became livelier later on expectations that trust banks would be brisk purchasers in April, using the massive funds deposited in their money trust accounts.

Major securities companies actively bought large-capital stocks. Mitsubishi Heavy Industries headed the active list with 22.75m shares changing hands, gaining Y13 to Y279. Kobe Steel rose Y7 to Y170 and Nippon Kokan added Y3 to Y140.

Highly capitalised chemicals also drew buying interest, with Mitsui Toatsu firming Y19 to Y231, on the second biggest volume of 21.05m shares. Mitsubishi Chemical climbed Y19 to Y459, Mitsubishi Estate Y17 to Y630 on investor interest in its huge off-the-book assets and Mitsubishi Warehouse Y6 to Y363.

Sumitomo Metal Mining put on Y80 to Y1,950, matching its record reached last May. Mitsui Mining and Smelting gained Y31 to Y559, and Nippon Mining moved up Y22 to Y397.

Elsewhere, Green Cross advanced Y190 to an all-time high of Y3,380 on continued interest in biotechnology issues. But Asahi Chemical eased Y10 to Y865 on profit-taking. Nomura Securities climbed Y50 to a record of Y1,320.

By contrast blue chips dropped sharply. Sony shed Y130 to Y4,460, Matsushita Electric Industrial Y60 to Y1,550, and Canon Y40 to Y1,420. The setback reflected reports on moves to present an import surcharge bill to the U.S. Senate and a shift of interest among some investors to large-capital stocks.

Bonds firmed slightly in extremely slow trading. Many institutional investors planned to keep a low profile until after Thursday's auction of 20-year U.S. Treasury bonds.

The yield on the benchmark 7.3 per cent government bond, maturing in December 1993, declined to 6.720 per cent from 6.740 per cent on small-lot buying by securities houses.

EUROPE

Dearth of buying activity

A DEARTH of buying activity plagued European bourses yesterday leaving most centres weaker although German shares benefited from the return of some overseas investors.

Brussels generated a lengthy casualty list of sharp falls that took 22.54 off the Stock Exchange index to 2,271.06.

Gevaert lost another 7 per cent of its share value, continuing the unbroken decline of the past fortnight, with a BFr 175 drop to BFr 3,875 while Petrofina slipped an early BFr 150 on persistent reports of difficulties at one of the group's production platforms in the Ekofisk complex in the North Sea. The industrial group, which has also steadily lost ground over the past two weeks, managed a late rally to close a net BFr 50 up at BFr 6,730.

In the financial sector, Cobepa retreated BFr 95 more to BFr 3,505 despite the surge in 1984 earnings and plans to boost the dividend.

Frankfurt repaired some of the damage sustained on Monday with a 1.9 point gain in the Commerzbank index to 1,204.1 This was partly due to the reappearance of some foreign demand which, however, lacked any follow-up buying.

Banks were broadly weaker with Bayerische Hypo shedding a further DM 6 to DM 339 despite Monday's higher results. Bayerische Vereinsbank picked up DM 2 to DM 333 on results and Deutsche Bank lost DM 2.50 to DM 443 ahead today's dividend news.

The profit-takers continued to dominate the quality car sector as Porsche droped DM 12 to GM 1,228 ex-dividend, Daimler retreated DM 2 to DM 675 although BMW partially recovered from Monday's brusing with a DM 1.30 rise to DM 381.50.

Insurer Munich Re featured with a DM 15 to DM 1,175 while associate Allianz added DM 5 to DM 1.054 ex-rights.

Linde firmed DM 2 to DM 417 ahead of result tomorrow and Degussa dropped DM 4 to DM 362 prior to its trading statement today.

Lufthansa, which looks less likely to appear on the Government's list of privatisation candidates, picked up DM 2 to DM 195, just below its high for the year.

Klöchner firmed 30 pfg to DM 74.30 on consideration of its more buoyant profits performance.

Bond were steady with fluctuations of up to 15 basis points. The Bundesbank sold DM 29.2m in paper compared with Monday's purchases of DM 6.5m.

Internationals managed a modest recovery in an easier **Amsterdam** as Royal Dutch rose Fl 1.10 to Fl 197.20 although Philips was unchanged at Fl 60.80.

Banks made isolated progress with ABN up Fl 2 to Fl 407 while brewer Heineken edged 10 cents higher to Fl 157.

Bonds gained momentum as domestic institutions and foreign buyers emerged. Bids totalling Fl 5.25bn for the new 8.25 per cent state loan were accepted. The price of 101.80 yields 7.93 per cent.

Paris, initially unsettled by disruption on the floor of the bourse, finished barely changed.

Galeries Lafayette featured in a mixed stores sector with its FFr 26 rise to FFr 362 while Au Printemps firmed FFr 2 to FFr 222.

A lack of buying was evident in virtually every **Zurich** share sector although Credit Suisse moved against the trend in financials with a SwFr 5 rise to SwFr 2,440.

The steady mood in bonds continued.

A broadly lower **Milan** saw Montedison steady at L1,508 ahead of its reorganisation while Olivetti dropped L150 to L6,650 after its Docutel control decision.

Stockholm was mixed, while **Madrid** moved higher in active trading. **Copenhagen** was generally higher where changed.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16⅛	AAR	.48	2.6	14	196	18⅝	18¼	18¼	-¼
21¼	9⅝	AGS			11	11	14⅛	14	14	-¼
18⅛	11	AMCA				1	11⅛	11⅛	11⅛	+⅛
17⅞	13⅝	AMF	.50	3.0	37	243	16¾	16⅝	16¾	+⅛
43¼	24¼	AMR			9	2129	39⅞	39⅛	39⅝	+⅜
20⅝	18⅝	AMR	pf2.18	11.		18	20⅝	20¼	20¼	
25⅞	22⅞	ANR	pf 2.67	11.		6	24⅝	24⅜	24⅜	-¼
14¼	8½	APL			3	31	9¾	9½	9½	-⅜
67¼	44⅜	ASA	2	3.8		773	52⅞	52	52⅜	+1½
27	16	AVX	.32	1.8	11	619	17⅝	17⅛	17⅜	-¼
52⅝	36¾	AbtLab	1.40	2.7	15	1317	51¾	50¾	51⅝	+1
25⅞	16½	AccoWds	.44	1.9	18	111	23⅝	23¼	23⅜	-⅛
22	12½	AcmeC	.40	2.9		265	14⅝	14	14	-½
10½	8¼	AcmeE	.32b	3.4	11	5	9½	9¼	9⅜	
17⅜	15	AdaEx	2.11e	13.		97	16¾	16½	16½	-⅛
20	11⅞	AdmMl	.32	1.9	7	12	17¼	17¼	17¼	
19½	8⅝	AdvSys	.81t	7.6	17	87	10¾	10⅝	10¾	-¼
41⅛	25⅛	AMD			13	2419	31¾	31	31½	-⅛
12¾	6⅞	Advest	.12	1.3		106	9⅝	9¼	9¼	-¼
14⅝	8¾	Aeflex			12	20	12¼	11⅞	12¼	+⅜
42⅝	27¼	AetnLf	2.64	6.5	39	921	40½	40¼	40½	+¼
56¾	52⅜	AetL	pf5.82e	11.		9	54¾	54¾	54¾	
32⅛	15¾	Ahmns	1.20	3.8	18	632	32	30⅞	32	+⅞
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 29

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
6⅞	3⅛	Wurlitzr				28	4	3⅞	4	+⅛
18	10¾	WyleLb	.32	2.6	10	40	12⅜	12⅛	12¼	−⅛
23⅜	16¾	Wynns	.60	2.8	8	13	21⅜	21⅜	21⅜	−⅛
		X Y Z								
46¼	33¼	Xerox	3	7.0	17	2190	43¼	42⅝	43⅛	+⅜
51⅜	45¼	Xerox	pf5.45	11		501	50½	50	50½	+½
30	24	ZaleCp	1.32	4.8	8	306	27¾	27⅝	27¾	
24⅞	13⅜	Zapata	.84	6.3	16	288	13⅝	13⅜	13⅜	−⅛
58	30	Zayre	.40b	.7	14	1012	55⅞	55¼	55⅞	+⅝
31¼	18⅛	ZenithE			7	516	21	20½	20⅝	−⅜
21⅞	14⅜	Zero	s		18	126	19¼	19	19¼	−¼
31⅜	21⅛	Zurnin	1.32	4.6	10	303	28⅝	28¼	28⅝	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Mar. 26	Price Sch.	+ or −
Creditanstalt	245	+1
Goesse	424	+3
Interunfall	500	+5
Laenderbank	241	+1
Perlmooser	399	+4
Steyr-Daimler	165	+4
Veitscher Mag	390	...

BELGIUM/LUXEMBOURG

March 26	Price Frs.	+ or −
B.B.L.	1,910	+5
Banq. Int. A. Lux	6,150	...
Bekaert B.	5,930	...
Ciment CBR	2,600	+5
Cockerill	268	−6
Delhaize	7,000	−300
EBES	3,100	...
Electrobel	8,670	...
Fabrique Nat.	2,090	−20
GB Inno BM	3,350	−30
GBL (Brux)	2,000	−75
Gevaert	3,875	−275
Hoboken	6,850	...
Intercom	2,225	−25
Kredietbank	8,400	−50
Pan Hldgs.	11,400	...
Petrofina	6,730	+50
Royale Belge	11,300	...
Soc. Gen. Banq	3,400	−10
Soc. Gen. Belge	2,00	−35
Sofina	7,670	−10
Solvay	4,410	−90
Stanwick Intl.	1,630	...
Tractionel	4,250	...
UCB	5,300	−70
Wagon Lits	2,590	−40

DENMARK

Mar. 26	Price Kr. %	+ or −
Andelsbanken	287	−24
Baltic Skand	640	...
CopHandelsbank	260	+1
D. Sukkerfab	545	...
Danske Bank	274	...
De Danske Luft.	1,245	...
East Asiatic	170	+1
Forenede Brygg.	900	...
Forenede Damp.	105	−1
GNT Hldg	416	+21
I.S.S.B.	410	...
Jyske Band	560	+10
Novo Ind	1,675	+5
Privatbanken	240	...
Provinsbanken	324	+4
Smidth (F)	225	+3
Sophus Berend	1,025	−5
Superfos	484	...

FRANCE

March 26	Price Frs.	+ or −
Emprunt 4½% 1973	1663	−24
Emprunt 7% 1973	8,199	+39
Accor	279	+1
Air Liquid	635	...
BIC	537	−6
Bongrain	1,920	+37
Bouygues	618	−5
BSN Gervais	2,330	−5
CIT-Alcatel	1,322	+7
Carrefour	1,969	−1
Club Mediter'n	1,199	+5
Cie Bancaire	599	−1
Cofimeg	275.5	...
Damart	2,120	−36
Darty	1,280	−50
Dumex S.A.	585	−1
Eaux (Cie Gen)	580	+4
Elf Aquitane	235	−5
Essilor	3,130	+40
Gen. Occidentale	720	−12
Imetal	106.9	+4.9
Lafarge Coppee.	460	+1.5
L'Oreal	2,420	−10
Legrand	2,125	+40
Maisons Phenix	225	−3
Matra S.A.	1,765	−5
Michelin B.	935	−13
Midi (Cie)	2,200	−9
Moet Hennessy	1,935	−5
Moulinex	110.6	−1.2
Nord Est.	82.6	−0.6
Pernod Ricard	673	−4
Perrier	527	−5
Petroles Fra.	268	−0.5
Peugeot S.A.	289	...
Printempt.Aus	222	+2
Radiotech	266.1	−2.9
Redoute	1,298	−1
Roussel-Uclaf	1,708	+18
Sefimeg	324	...
SkisRossignol	1,920	−15
Telemech Elect.	2,525	−15
Thomson CSF	535	−11
Valeo	233	+8

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

GERMANY

Mar. 26	Price Dm.	+ or −
AEG-Telef	110.5	−1.2
Allianz Vers	1054xr	+5
BASF	205	−0.7
Bayer	213	...
Bayer-Hypo	339	−6
Bayer-Verein	333	+2
BHF-Bank	266	...
BMW	381.5	+1.5
Brown Boveri	215.5	+1.5
Commerzbank	166.2	−0.2
Cont'l. Gummi	135.4	−0.6
Daimler-Benz	675	−2
Degussa	383	−4
D'sche Babcock.	161	...
Deutsche Bank	443	−2.5
Dresdner Bank	189xr	−1
GHH	157	+0.5
Hochtief	472	...
Hoechst	207	−1
Hoesch Werke	110.1	−0.9
Holzmann (P)	393	−2
Horten	166	+2
Hussel	297	+1
Karstadt	211	−0.5
Kaufhof	222	...
KHD	250.5xr	−1
Kloeckner	74.3	+0.3
Linde	417	+2
Lufthansa	195	+2
MAN	155	+2.5
Mannesmann	162.5	−2
Mercedes Hld.	592	+2
Metallgesel	258	−3
Munech Rueck	1175	+15
Nixdorf	543	−13
Porsche	1228xd	−12
Preussag	274	−0.5
Rhein West Elect	153.5	...
Rosenthal	243	−2
Schering	455	...
Siemens	533xd	−1.6
Thyssen	101	...
Varta	183.2	−0.1
Veba	179.5	...
V.E.W.	123.2	+0.2
Verein-West	318	...
Volkswagen	201.6	+0.1

ITALY

Mar. 26	Price Lira	+ or −
Banco Com'le.	17,200	−300
Bastogi-IRBS	214.5	−2
B.I-invest	3,410	−35
Centrale	3,610	+10
Credito Varesino	4,110	−65
Fiat	3,000	−45
Finsider	52	−1.2
Generali Assicur.	43,700	+400
Italcementi	82,900	−300
La Rinascenti	658.5	+0.3
Montedison	1,508	...
Olivetti	6,650	−150
Pirelli Co	4,319	−20
Perelli Spa	2,199	−16
Snia BPD	2,810	−45
Toro Assic.	14,799	+149
do Pref	10,840	−60

NETHERLANDS

Mar. 26	Price Fls	+ or −
ACF Holding	198	+1
AEGON	186.5	+2.5
Ahold	215.5	−3
AKZO	108.6	...
ABN	407	+2
AMEV	213.2	−2.8
AMRO	75	−0.4
Bredero Cert.	151	−1
Bos Kalis Westm.	20.4	+0.3
Buehrmann-Tet.	86.7	−0.3
Calland Hldgs.	36	−0.4
Dordtsche Pet'm	177.5	+1.5
Elsevier NDU	112	−1
Fokker	103.5	−1.5
Gist Broades	183	+0.3
Heineken	157	+0.1
Hoogovens	58.6	−0.4
Int Mueller	50.7	−1.7
KLM	58.9	−0.1
Naarden	47.9	−0.1
Nat Ned Cert	269.6	+0.8
Ned M'd Bank	173.5	+0.3
Nedlloyd	181.8	−1
Oce Grinten	312.5	−1.5
Ommeren (Van)	30.2	...
Pakhoed	69.5	+0.7
Philips	60.8	...
Robeco	75.2	−0.5
Rodamco	139	−0.1
Rolinco	68.1	−0.7
Rorento	44.1	...
Royal Dutch	197.2	−1.1
Unilever	342	...
VMF Stork	148.3	...
VNU	210.5	+1.5
West Utr Bank	102.5	−1

NORWAY

Mar. 26	Price Kroner	+ or −
Bergens Bank	142	−1.5
Borregaard	362.5	−3.5
Christiania Bank	141.5	+0.5
DenNorske Cred	146	−0.5
Elkem	133	−6.5
Kvaerner	162.5	...
Norsk Data	398	...
Norsk Hydro	102.5	...
Storebrand	240	+3

SPAIN

Mar. 26	Price Pta %	+ or −
Bco Bilbao	340	...
Bco Central	313	...
Bco Exterior	200	−5
Bco Hispano	158	...
Bco Popular	382	+1
Bco Santander	355	+2
Dragados	175	...
Hidrola	86.2	+1.5
Iberduero	99.5	+1.5
Petroleos	150.7	−0.5
Telefonica	124.7	+1.2

SWEDEN

Mar. 26	Price Kronor	+ or −
AGA	386	−25
Alfa-Laval	188	+1
ASEA (Free)	315	−5
Astra (Free)	360	−10
Atlas Copco	104	−1
Cardo (Free)	250	−1
Cellulosa	116	−2
Electrolux B	325	−3
Ericsson	296	+6
Esselte	385	...
Mo och Domsjo	226	−4
Pharmacia	210	...
Saab Scania Free	420	...
Sandvik	385	−15
Skandia	500	−2
Skan Enski'da	48	...
SKF	205	−1
St Kopparbergs.	130	−4
Sven Handlesbn.	169	...
Swelvosh Match.	216	−1
Volvo B (Free)	284	−2

SWITZERLAND

Mar. 26	Price Frs.	+ or −
Alusuisse	858	−17
Bank Leu	3,610	−10
Brown Boveri	1,650	−10
Ciba Geigy	2,930	−20
do. (Part Certs)	2,440	−40
Credit Suisse	2,440	+5
Elektrowatt	2,890	+10
Fisher Geo.	735	−15
Hoff-Roche PtCts	88,000	−1125
Hoff-Roche 1 10.	8,800	−125
Jacobs Suchard	6,350	−90
Jelmoli	1,940	−30
Landis & Gyr	1,710	−15
Nestle	6,470	−60
Oer-Buehrle	1,440	−15
Pirelli	296	−4
Sandoz (Br)	7,900	−50
Sandoz (PtCts)	1,350	−10
Schindler (Pt Cts)	780	−9
Sika	1,080	...
Surveillance	4,215	+55
Swissair	1,145	−20
Swiss Bank	377	−3
Swiss Reinsee	9,650	...
Swiss Volksbk.	1,435	−5
Union Bank	3,700	−15
Winterthur	3,740	...
Zurich Ins.	21,300	−50

AUSTRALIA

Mar. 26	Price Aust $.	+ or −
ANZ Group	4.52	−0.05
Alliance Oil Dev.	1.18	...
Ampol Pet.	1.88	...
Ashton	0.94	−0.01
Aust. Cons. Ind	1.97	−0.01
Aust.Guarantee	2.40	+0.02
Aust. Nat. Inds	2.82	−0.01
Aust.Paper	2.50	+0.02
Bell Group	6.8	+0.1
Bell Res.	6.5	+0.1
Bond Corp Hldgs	1.58	...
Boral	3.20	−0.08
Bougainville	2.00	−0.1
Brambles Inds	3.83	+0.01
Bridge Oil	2.35	...
B.H. Prop.	5.96	−0.12
CRA	6.06	−0.08
CSR	2.88	−0.02
CastlemaineTys.	4.80	...
Coles (G.J.)	3.78	+0.03
Comalco "A"	2.65	...
Consolidated Pet	0.47	−0.03
Costain Aust.	1.60	...
Dunlop Olympic.	2.08	...
Elders IXL	3.16	−0.02
Energ Res.	1.43	+0.02

AUSTRALIA (continued)

Mar. 26	Price Aust. $	+ or −
Gen. Prop. Trust	2.12	+0.02
Hardie (James)	3.08	+0.03
Hartogen Energy	2.4	...
Herald W'y Times	4.0	+0.02
ICI Aust.	1.9	−0.02
Jimberlana F.P.	0.30	+0.05
Kia Ora Gold	0.14	...
Lend Lease	5.9	+0.06
MIM	2.95	+0.05
Mayne Nickless	3.22	+0.02
Myer Emporium	1.80	+0.02
Nat. Aust. Bank	3.41	−0.03
News	13.7	...
Nicholas Kiwi	1.95	...
North Bkn Hill	2.42	−0.03
Oakbridge	0.77	−0.03
Pancont'l	1.38	−0.02
Pioneer Conc.	1.67	−0.03
Poseidon	3.42	+0.02
Queensland Coal	1.42	...
Reckitt & Coln.	3.25	−0.05
Repco	1.25	−0.01
Santos	6.00	...
Smith (Howard)	3.95	+0.05
Thos. Natwide	1.85	−0.01
Tooth	5.8	...
Vamgas	3.65	−0.05
Western Mining	3.92	−0.04
Westpac Bank	3.46	−0.01
Woodside Petrol	1.04	−0.02
Woolworths	3.14	+0.01
Wormald Intl.	3.60	...

HONG KONG

Mar. 26	Price H.K.$	+ or −
Bank East Asia	32.4	...
Cheung Kong	13.4	−0.02
China Light	14.1	...
Evergo	1.16	−0.05
Hang Seng Bank	46.5	−1
HK Electric	7.15	−0.05
HK Kowloon Wh.	5.2	−0.1
HK Land	4.85	−0.05
HK Shanghai BK.	6.35	−0.06
HK Telephone	70	−1.5
Hutchinson Wpa	19.7	−0.3
Jardine Math	8.95	−0.4
New World Dev.	6	−0.05
Orient O'seas	2.32	...
Osaas Trust Bk	2.55	...
SHK Props	8.8	...
Shell Elect.	1.62	...
Swire Pac A	21.9	...
TV—B	5.9	−0.1
Wheel'k Mard A.	7.2	+0.05
Wheel'k M'time	1.10	...
World Int. Hldns.	1.72	−0.06

JAPAN

Mar. 26	Price Yen	+ or −
Ajisomoto	1,110	+30
Alps Electric	2,090	−60
Amada	1,220	−40
Asahi Chem	865	−10
Asahi Glass	896	−9
Bridgestone	535	−5
Canon	1,420	−60
Casio Comp.	1,750	−40
Chugai Pharm.	1,050	+10
Citizen	650	+5
Daiei	612	−3
Dai Nippon Ptg	1,050	...
Daiwa House	556	−17
Ebara	416	−5
Eisai	1,890	+60
Fanuc	12,910	−340
Fuji Bank	1,660	+20
Fuji Film	1,800	−30
Fujisawa	1,140	+50
Fujitsu	1,320	−50
Green Cross	3,380	−190
Hasegawa	370	+1
Heiwa Real Est	665	−15
Hitachi	840	−18
Hitachi Credit	1,100	+20
Honda	1,390	−30
House Food	685	−10
Hoya	2,190	−60
Itoh (C)	350	...
Ito. Yokado	2,510	...
Iwatsu	1,080	−10
JACCS	320	−10
JAL	5,670	−110
Jusco	660	−10
Kajima	275	...
Kao Soap	848	−4
Kashiyama	593	...
Kirin	570	−5
Kokuyo	880	−5
Komatsu	477	−1
Konishiroku	686	−6
Kubota	322	−3
Kumagai	586	−9
Kyoto Ceramic	5,880	−170
Maeda Const.	488	...
Muakino Milling	1,300	+20
Myakita	1,070	...
Marubeni	308	−3
Marudai	545	−3
Marui	1,020	...
MEI	1,550	−60
M'ta Elec Works	785	−15
M'bishi Bank	1,600	...
M'bishi	530	...
M'bishi Elect	403	+3
M'bishi Estate	630	+17

JAPAN (continued)

Mar. 26	Price Yen	+ or −
MHI	279	+13
Mitsui	343	+5
Mitsui Estate	708	+15
Mitsukoshi	425	−1
NGK Insulators	1,010	−10
Nihon Cement	233	+3
Nippon Denso	1,380	−90
Nippon Elect	1,130	−20
Nippon Express	356	+1
Nippon Gakki	2,020	−60
Nippon Kokan	140	+3
Nippon Oil	890	−10
Nippon Seiko	674	+4
Nippon Shimpan	572	+22
Nippon Steel	153	...
Nippon Suisan	335	...
NTV	10,600	+200
Nippon Yusen	243	−2
Nissan Motor	656	−9
Nisshin Flour	465	...
Nisshin Steel	176	...
Nomura	1,320	+50
Olympus	1,210	...
Orient Leasing	2,910	−130
Pioneer	2,610	−150
Renown	650	−6
Ricoh	910	−5
Sankyo	1,290	+60
Sanyo Elect.	483	+1
Sapporo	410	...
Sekisui Prefab	582	−16
Seven-Eleven	8,650	−100
Sharp	1,030	−20
Shimadzu	806	−4
Shionogi	705	−15
Shiseido	1,070	...
Sony	4,460	−130
Stanley	1,030	+20
S'tomo Bank	1,800	+50
S'tomo Elect	902	−4
S'tomo Marine	631	−19
S'tomo Metal	154	...
Taihei Dengyo	490	−16
Taisei Corp.	207	...
Taisho Pharm	1,070	...
Takeda	850	...
TDK	5,790	−100
Teijin	435	+2
Teikoku	642	+3
Tokyo Marine	877	−10
TBS	770	−3
Tokyo Elect Pwr	1,680	...
Tokyo Gas	173	−2
Tokyo Sanyo	707	−14
Tokyo Style	698	−2
Tokyu Corp	335	+6
Toppan Print	862	−1
Toray	441	−7
Toshiba Elect.	413	...
TOTO	670	...
Toyo Seikan	890	...
Toyota Motor	1,300	−40
Victor	2,250	−50
Wacoal	710	−1
Yamaha	780	−5
Yamanouchi	3,840	−10
Yamazaki	640	−8
Yasuda Fire	480	−2
Yokogawa Bdge.	423	...

SINGAPORE

Mar. 26	Price $	+ or −
Boustead Hldgs.	1.68	−0.01
Cold Storage	2.64	−0.02
DBS	6.25	...
Genting	5.65	...
Haw Par. Bros.	2.35	−0.08
Hong Leong Fin.	3.06	...
Inchcape Bhd.	2.44	−0.04
Keppel Shipyard	1.77	+0.02
Malay Banking	6.00	...
Malay Utd. Ind.	2.38	−0.03
Multi Purpose	0.90	−0.05
OCBC	9.35	−0.05
OUB	3.78	+0.02
Public Bank	1.61	−0.01
Sime Darby	1.96	−0.02
Singapore Press.	6.15	...
Straits Trdg.	4.34	−0.04
Tat Lee Bk	2.8	...
UOB	4.56	...

SOUTH AFRICA

Mar. 26	Price Rand	+ or −
Abercom	1.32	+0.02
AE&CI	7.3	...
Allied Tech	50	...
Anglo Am Coal	41.75	...
Anglo Am Corp	24	...
Anglo Am Gold	165	...
Barclays Bank	13.75	−0.25
Barlow Rand	10.17	...
Buffels	79	+0.25
CNA Gallo	2.37	+0.07
Currie Finance	3.45	...
De Beers	9.65	−0.25
Driefontein	52.5	...
FS Geduld	51.25	−6.25
Gold Fields SA	30.25	−0.25
Highveld Steel	3.92	+0.02
Nedbank	9	−0.3
OK Bazaars	13.25	...
Protea Hldgs.	7.3	...
Rembrandt	33	...
Rust Plat	17.05	+0.25
Safren	13.9	+0.5
Sage Hldgs	6.85	...
SA Brews	6.3	...
Smith (AG)	21	...
Tongaat Hulet.	5.75	−0.15
Unisec	4.75	−0.05

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES

BAe	398	+ 20
Burgess Products	162	+ 17
Delta Group	138½	+ 5
Invent Energy	£10¾	+ £¾
JSD Computer	60	+ 10
Manch Ship Cnl	323	+ 28
Manson Finance	27	+ 3
Molins	138	+ 8
Pentland Inds	533	+ 33
RHM	158	+ 7
Selincourt	28½	+ 2½
Trident Comptr	70	+ 10
UBM	*159	+ 10

FALLS

Avon Rubber	295	− 18
Baltic	223	− 11
Bell (A)	148	− 12
Canning (Wm)	96	− 11
Cocksedge	38	− 15
Combined Eng St	119	− 6
Croda Intl	134	− 8
Lucas Inds	274	− 8
NEI	80	− 4½
Pressac	98	− 14
Ricardo Cons Eng	104	− 7
Smith (WH) A	206	− 10
TI	226	− 6
Thorn EMI	412	− 9

*Price at suspension

Continued on Page 38

CANADA

TORONTO

Closing prices March 26

Sales	Stock	High	Low	Close	Chng
[illegible]					

MONTREAL

Closing prices March 26

Sales	Stock	High	Low	Close	Chng
[illegible]					

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 29

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Prev. Close
[illegible]										

MARKET REPORT

Interest rate hopes fade and equities continue their post-Budget downdrift

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Mar 11	Mar 21	Mar 22	Apr 1
Mar 25	Apr 11	Apr 12	Apr 22
Apr 15	Apr 25	Apr 26	May 7

* "New-time" dealings may take place from 9.30 am two business days earlier.

Hopes of another small reduction in bank base rates faded further yesterday following suggestions that mortgage rates were likely to remain at present levels for most of the year. Investors accepted the forecast as further evidence of the Government's reluctance to allow interest rates to fall too quickly.

A continuation of the London equity market's post-Budget hangover was thus inevitable, although investors were constantly alerted by a seasonal barrage of trading statements from manufacturing and financial groups. These brought both good and bad features. The preliminary results of British Aerospace and Standard Chartered were well received, but the interim statement of Arthur Bell fell short of expectations. UBM and Norcros requested that dealings in both shares be suspended pending a "major" announcement. This aroused speculation that Norcros was about to launch another attempt to takeover UBM.

The announcement of a surplus on last month's UK current account failed to reverse the dull equity trend. Midway through the afternoon, the tone looked to be steadying in the wake of sterling, which eventually closed at a day's high of $1.1825. But blue chips eased further late and only two of the 30 constituents of the FT Ordinary share index, down 7.9 at the session's lowest of 982.0, managed to show gains on the day.

Interest rate imponderables combined with initial dullness in both the exchange rate and Gilt futures quotations stifled trade in Government stocks. Persisting money shortages hampered institutional business and took a further toll on short-dated Gilts. Selected longer maturities also eased, until the unexpected firmer opening in U.S. bonds. This encouraged a few buyers and the longs regained their losses, some to close a shade higher on balance, with the brighter tone continuing in unison with the pound's late rise.

Standard below best

Standard Chartered advanced to 475p before closing 5 higher at 465p following the increase in annual profits to over £290m. Royal Bank of Scotland cheapened 5 to 283p on fading takeover hopes, while Lloyds again reflected Latin American debt uncertainties with a fresh fall of 7 to 538p. Mansen Finance Trust gained 3 to 27p in reply to better-than-expected interim results.

Arthur Bell, down 12 to 148p, reflecting marked disappointment with the half-time profits, provided the only noteworthy movement in the drinks sector.

Early dealings in the Building sector were enlivened by a fresh surge in UBM to 162p; dealings in the shares were subsequently suspended at the company's request at 159p, up 10, pending an announcement. Simultaneously, business in Norcros, UBM's one-time suitor, was halted with the price at 167p; opinion appears split on whether Norcros intends to launch another offer, or place its 36 per cent stake which it acquired during an abortive takeover attempt in August 1983. Recent enthusiasm for leading issues petered out following the Treasury's forecast about mortgage rates. Blue Circle slipped 3 to 517p and Redland softened 2 to 288p. Elsewhere, Berkeley Group fell 6 to 164p on the £3.3m rights issue proposal, but Turriff rose 10 more to 330p after news that B.R.P. Securities, a wholly-owned subsidiary of Bajaj, had increased its stake to 9.3 per cent. Buying ahead of tomorrow's annual results lifted Vectis Stone 3 to 30p, while Five Oaks gained a penny to 27½p on country interest.

Trading statements prompted two dull features in the Chemical sector. William Canning fell to 91p prior to closing a net 11 down at 96p following disappointing preliminary results, while Croda International Ordinary shed 8 to 134p, and the Deferred 10 to 95p, after revealing annual profits below market estimates. ICI fluctuated narrowly in thin trading to settle 6 cheaper at 788p.

Stores dull

The Treasury's forecast that the present level of mortgage rates is likely to prevail for most of the current year cast a shadow over Retailers. Dealers reported minimal activity, but falls among the leaders still extended to double figures. Woolworth closed 12 lower at 683p ahead of tomorrow's annual figures, while Burton, interim results due today, shed 7 at 456p. Dixons fell 13 to 632p. Waring and Gillow traded in lively fashion: down to 150p in the absence of news concerning a bid from the consortium headed by ex-Burton chief Mr Cyril Spencer, the shares staged a minor rally after-hours to finish only 3 lower on balance at 155p. Further consideration of the respective annual results left Freemans 6 off at 194p, and Combined English a similar amount cheaper at 119p, but better-than-expected full-year profits lifted Home Charm a couple of pence to 280p. Buyers also displayed occasional enthusiasm for Rayford Supreme, 195p, and Arthur Henriques, 64p, up 10 apiece, while takeover speculation intensified in Sellincourt, 2½ dearer at 26½p.

Publicity given to a broker's adverse circular brought renewed selling pressure on Thorn EMI, which dropped to 408p before closing a further 9 down on balance at 412p. GEC cheapened 2 to 192p in the wake of its £34m purchase of the Yarrow war-ship yard on the Clyde, but British Telecom hardened 2 to 138p on revived institutional interest. Elsewhere in Electricals, NEI lost 4½ to 80p following news of further problems connected with its Indian power station contract. Pressac plunged 14 to 98p, after 93p, on acute disappointment with the annual profits, while Cable and Wireless came on offer at 525p, down 15. JSD Computers, on the other hand, rose 10 to 60p in response to revived speculative support and HB Electronics hardened a penny to 57p after the satisfactory preliminary figures.

Delta reflected relief that a fund-raising proposal did not accompany the excellent annual profits and closed 5 higher at 138½p. Burgess Products jumped 17 to 162p in response to the interim profits upsurge, while buyers showed increased interest in Molins ahead of next week's results and the shares ended 8 better at 138p. Hopkinsons advanced 9 afresh to 176p and Vosper gained 13 to 223p in a thin market. Cocksedge, meanwhile, slumped 15 to 38p in reaction to the interim dividend omission and first-half deficit. IMI turned back from an initial firm level of 119p to close a penny lower on balance at 115½p following profit-taking in the wake of the annual results, while Babcock cheapened 7 to 144p on nervous offerings ahead of today's preliminary statement. TI remained friendless at 226p, down 6.

Rumours that Hanson Trust had approached S. & W. Berisford with a view to acquiring the latter's near 15 per cent stake in Ranks Hovis McDougall saw RHM move ahead strongly in after-hours' trading to close a net 7 up on the day at 158p. Berisford, which is thought to have spurned the approach, closed a penny dearer at 164p, after 160p. Hanson were unaltered at 210p. Other leading Foods drifted easier before steadying late in the session. Elsewhere, Iceland Frozen Foods settled 5 higher at 440p, after 450p, following excellent annual results. On the other hand preliminary profits at the lower end of market estimates left Brewmaker 4 down at 36p.

BAe pleases

British Aerospace provided an outstanding feature among miscellaneous industrials, rising 20 to 398p in response to news of a 50 per cent annual dividend increase and bumper profits. Manchester Ship Canal attracted sudden speculative support and jumped 28 to 323p, after 330p, while Pentland continued to reflect its U.S. expansion prospects with a further rise of 33 to 533p, after 538p. Trident Computer Services were marked up 10 to 70p on news of the bid approach and Wolverhampton Steam Laundry moved up 3 to 41p on cash injection hopes. Sharply higher annual earnings and a proposed 20 per cent scrip-issue prompted a rise of 5 to 236p in Smith and Nephew, while gains of around 6 were recorded in Alexandra Workwear, 148p, A. and P. Appledore, 150p, and Lamont, 142p. TSL Thermal Syndicate continued firmly at 262p, up 9, but Ricardo lost 7 to 104p as the interim figures failed t match best expectations. Profit-taking after the recent good rise prompted a fall of 18 to 295p in Avon Rubber, while lower annual profits left Dufay Bitumastic 2 off at 38p.

Among Leisure issues, Miss World rose 20 to 250p in a restricted market in belated response to a newsletter recommendation. Pavilion Leisure, however, encountered further profit-taking and fell 6 to 32p in the wake of the directors' warning that the recent rise in the share price bore no relation to its present trading position.

Lucas Industries encountered nervous offerings in front of tomorrow's interim statement and closed 8 lower at 274p.

Fleet Holdings opened higher at 285p, reflecting overnight consideration of the takeover proposal from United Newspapers, which received an extremely cool reception from the former's board, and made further headway to close at 298p, up 25, amid vague talk of a third party entering the fray. United, due to announce preliminary figures tomorrow, eased 4 more to 306p, after 300p. Octopus Publishing advanced 15 to a new peak of 945p following the sale of Websters Bookshops and Books For Students to W. H. Smith for around £9m cash; Smith dipped 10 to 200p. Elsewhere, Bemrose became volatile following the annual profits setback; down to 143p in immediate response to the announcement, the shares rallied smartly and settled only 8 off on balance at 160p.

Leading Properties were towed lower with the general trend, but selected secondary issues managed to improve. News that the group's shareholders had approved the acquisition of properties from Glynwed and the issue of 23m new Ordinary shares helped Raglan gain a penny to 8½p; dealings in the new shares are expected to commence tomorrow.

Among Financials, Baltic reacted to adverse comment on the mid-term statement and slumped 11 for a two-day decline of 17 to 223p.

Enterprise easier

Enterprise Oil's preliminary results were given a good reception and the shares rose to a peak 209p before profit-taking left the close a net 3 cheaper at 202p.

Other leading oils, however, were mixed. British Petroleum slipped 7 to 538p ahead of publication of the annual report. Tricentrol and LASMO, partners in the recent oil and gas discovery off the coast of Sicily, added around 3 apiece at 228p and 355p respectively; the latter's interim results are expected next Wednesday while preliminary figures from the former are scheduled for tomorrow.

Secondary issues showed Clyde Petroleum a further 4 to the good at 95p on further consideration of the good results, while Invent Energy raced ahead on exploration hopes to close ¼ higher at £10¾. Ireland's Oliver Prospecting, a weak market of late, rose 3 to 62p following the proposed rights issue and share placing.

Late rally in Golds

General lack of interest and a static bullion price saw South African Golds drift easier during the morning trading. However, a sudden jump in the bullion price in the early-afternoon brought a quick response from the gold sharemarket which regained all of their initial falls.

The spurt in the metal price was accompanied by rumours of a U.S. bullion dealer being unable to meet obligations in U.S. futures markets as well as talk of an escalation of the Iran/Iraq conflict. In addition a major American bullion dealer was said to be a substantial buyer of bullion for April delivery. Gold closed a net $8.25 higher at $324.

The Gold Mines index, which would have shown a fall in the region of 8 points on early afternoon levels, mirrored the recovery in gold share prices and posted a net 0.6 gain at 500.3.

Rio Tinto-Zinc edged up 2 to 662p, helped by good results from the near-30 per cent owned Enterprise Oil, but Charter remained an erratic market, touching extremes of 193p and 200p before ending the day little changed on balance at 197p. East Rand Consolidated moved up to a 1984/85 high of 75p immediately following the annual results and encouraging exploration news, but eased late to close only a penny up at 73p.

Demand for Traded Options improved marginally with 7,283 contracts struck. British Telecom returned to favour and attracted 582 calls and 645 puts, while Commercial Union and Lasmo accounted for 667 and 643 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Mar. 26	Mar. 25	Mar. 22	Mar. 21	Mar. 20	Mar. 19	year ago
Government Secs	80.78	80.74	80.76	80.83	80.67	80.46	83.81
Fixed Interest	84.63	84.64	84.63	84.48	84.37	84.21	86.94
Ordinary	982.0	989.9	992.4	993.1	1001.9	997.5	875.0
Gold Mines	500.3	499.7	505.4	491.2	517.7	507.0	644.2
Ord. Div. Yield	4.61	4.57	4.57	4.58	4.54	4.56	4.36
Earnings, Yld.% (full)	11.42	11.33	11.33	11.35	11.26	11.26	9.61
P/E Ratio (net) (*)	10.66	10.75	10.75	10.73	10.81	10.81	12.67
Total bargains (Est.)	26,697	27,782	25,442	27,320	25,568	25,271	28,885
Equity turnover £m.	—	288.93	414.04	460.24	409.60	334.99	288.76
Equity bargains	—	26,119	28,600	25,964	22,330	22,593	25,646
Shares traded (ml)	—	166.5	217.4	237.6	209.3	186.9	172.6

10 am 986.1. 11 am 985.1. Noon 984.0. 1 pm 984.2.
2 pm 983.1. 3 pm 982.7.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil = 10.32.

HIGHS AND LOWS

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.77 (9/1/84)	74.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3/84)	80.43 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1/85)	755.3 (25/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (9/3/84)	439.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Mar. 25	Mar. 22
Daily Gilt Edged Bargains	147.9	163.5
Equities Bargains	169.2	185.3
Value	584.0	836.9
5day Average Gilt Edged Bargains	162.2	167.3
Equities Bargains	162.8	162.0
Value	771.2	786.6

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues March 26 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Mon March 25 Index No.	Fri March 22 Index No.	Thur March 21 Index No.	Wed March 20 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (206)	551.17	−0.4	9.98	3.97	12.55	553.57	553.61	555.73	558.90	524.25
2	Building Materials (23)	503.65	−0.3	12.71	4.98	9.74	504.94	502.96	506.15	510.03	521.26
3	Contracting, Construction (30)	699.38	−0.2	13.13	5.66	9.79	701.03	698.68	696.59	699.49	764.76
4	Electricals (15)	1534.22	−1.0	10.19	4.87	12.54	1549.15	1536.82	1547.31	1561.41	1710.86
5	Electronics (36)	1703.41	−0.8	8.89	2.99	14.69	1716.68	1726.01	1738.23	1737.42	1787.17
6	Mechanical Engineering (60)	302.78	+0.3	11.12	4.44	10.75	302.01	300.48	303.61	303.07	248.43
8	Metals and Metal Forming (8)	198.26	−0.1	11.40	6.54	10.84	198.42	195.11	196.88	197.39	206.85
9	Motors (18)	164.81	−0.9	11.46	4.85	11.30	166.38	167.95	168.23	172.19	144.12
10	Other Industrial Materials (16)	954.50	−0.4	6.98	3.19	17.45	958.07	957.20	948.19	965.40	692.59
21	CONSUMER GROUP (181)	638.77	−0.8	9.14	3.80	13.25	643.74	641.93	643.40	647.65	522.44
22	Brewers and Distillers (23)	566.72	−0.7	11.93	4.74	10.39	570.76	572.42	575.94	579.77	512.28
25	Food Manufacturing (21)	505.51	−0.3	11.57	4.76	10.76	506.85	505.27	510.06	511.08	401.42
26	Food Retailing (13)	1475.01	−0.7	6.49	2.48	20.54	1484.76	1483.88	1492.80	1481.75	1210.40
27	Health and Household Products (9)	1029.45	+0.1	5.60	2.63	20.89	1028.74	1020.49	1026.74	1031.65	793.88
29	Leisure (22)	676.43	−0.6	8.40	4.86	15.60	680.71	686.90	686.73	687.60	687.79
32	Newspapers, Publishing (12)	1760.33	+1.6	6.64	4.28	19.50	1732.53	1742.99	1726.13	1733.79	1308.01
33	Packaging and Paper (14)	323.09	+0.2	11.42	4.44	10.10	322.29	319.81	322.02	324.55	246.95
34	Stores (45)	581.47	−1.6	7.03	3.28	17.23	591.04	591.64	592.70	597.23	487.94
35	Textiles (19)	326.87	—	12.55	4.39	9.19	327.05	327.93	331.01	333.49	295.85
36	Tobaccos (3)	916.00	−2.0	13.72	4.27	8.16	934.91	915.21	897.94	923.86	579.64
41	OTHER GROUPS (96)	681.21	−0.1	8.88	3.95	14.19	682.16	680.37	680.44	681.56	459.36
42	Chemicals (17)	775.90	−0.6	13.33	4.71	9.31	780.90	773.29	765.27	770.62	621.40
44	Office Equipment (4)	183.63	−0.2	7.20	4.55	17.20	184.01	183.54	184.23	184.56	139.31
45	Shipping and Transport (12)	1134.41	−1.1	6.62	4.43	19.11	1147.48	1156.06	1161.29	1151.66	896.00
46	Miscellaneous (61)	846.10	−0.2	7.24	3.28	16.80	848.07	850.21	859.22	861.20	623.85
48	Telephone Networks (2)	825.38	+0.3	8.11	3.90	16.09	822.58	819.37	817.37	817.37	0.0
49	INDUSTRIAL GROUP (483)	635.63	−0.5	9.29	3.88	13.30	638.92	637.63	638.97	642.28	518.80
51	Oils (17)	1162.77	−0.9	15.64	7.14	7.74	1173.84	1197.88	1196.37	1201.56	1078.87
59	500 SHARE INDEX (500)	679.80	−0.6	10.14	4.32	12.12	683.66	684.43	685.55	688.94	565.68
61	FINANCIAL GROUP (114)	461.26	−0.4	—	4.92	—	463.24	465.41	465.71	462.44	383.46
62	Banks (6)	450.49	−0.7	17.98	6.44	7.64	453.51	453.82	454.82	450.91	380.04
65	Insurance (Life) (8)	671.23	+0.3	—	4.12	—	669.35	672.14	674.81	660.67	473.25
66	Insurance (Composite) (7)	338.04	−0.7	—	5.61	—	340.38	347.37	345.89	338.00	271.01
67	Insurance (Brokers) (6)	1193.00	−0.6	7.23	3.31	18.30	1199.66	1207.25	1215.35	1228.39	738.59
68	Merchant Banks (12)	230.57	−0.6	—	4.66	—	231.98	232.37	234.32	235.49	251.22
69	Property (50)	640.79	−0.5	5.52	3.53	23.98	644.23	643.85	645.40	646.82	576.02
70	Other Financial (25)	294.10	—	8.90	5.37	13.60	293.94	293.68	291.85	292.04	269.60
71	Investment Trusts (106)	609.73	−0.4	—	3.25	—	611.94	612.07	620.59	623.40	519.16
81	Mining Finance (4)	301.57	+0.2	9.52	5.04	13.39	300.92	300.84	302.55	302.82	320.72
91	Overseas Traders (14)	656.45	−1.1	9.58	6.35	12.94	663.67	663.19	665.64	665.92	585.22
99	ALL-SHARE INDEX (736)	622.16	−0.5	—	4.39	—	625.44	626.42	627.81	629.72	521.40

	Index No.	Day's Change	Day's High	Day's Low						
FT-SE 100 SHARE INDEX	1290.4	−7.4	1294.9	1290.1	—	1297.8	1302.9	1300.7	1307.2	1,119.7

FIXED INTEREST

PRICE INDICES	Tues March 26	Day's change %	xd adj. today	xd adj. 1985 to date
British Government				
1 5 years	[illegible]	[illegible]	[illegible]	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	[illegible]
3 Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	[illegible]
6 Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]
7 Preference	[illegible]	[illegible]	[illegible]	[illegible]
BRITISH GOVERNMENT INDEX-LINKED STOCKS				
8 All stocks	[illegible]	[illegible]	[illegible]	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Tues March 26	Mon March 25	Year ago (approx.)
British Government			
1 Low Coupons 5 years	[illegible]	[illegible]	[illegible]
2 15 years	[illegible]	[illegible]	[illegible]
3 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 15 years	[illegible]	[illegible]	[illegible]
6 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 15 years	[illegible]	[illegible]	[illegible]
9 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
11 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
12 15 years	[illegible]	[illegible]	[illegible]
13 25 years	[illegible]	[illegible]	[illegible]
14 Preference	[illegible]	[illegible]	[illegible]
15 Inflation rate 5%	[illegible]	[illegible]	[illegible]
16 10%	[illegible]	[illegible]	[illegible]

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (70)

BRITISH FUNDS (2)
Treas. 3pc 1985 — Redemptn 3pc '86-96

BREWERS (1)
Brown (Matthew)

CHEMICALS (3)
Cory (Horace) — Wolstenholme Rink
Hickson Intl.

STORES (4)
Brown (N.) — Lincroft Kilgour
Helene of London — Sellincourt

ELECTRICALS (2)
Cray Electronics — Penny & Giles
JSD Computer

ENGINEERING (10)
Burgess Products — Lake & Elliot
Deritend Stamping — Lloyd (F. H.)
Glynwed Intl. — Metalrax
Hopkinsons — Weir
IMI — Williams Hldgs.

FOODS (2)
Iceland Frozen Fds. — RHM

HOTELS (1)
Stakis

INDUSTRIALS (16)
AAH — Macfarlane
Alexandra Workwear — Newman Inds. 10pc Cum. Cnv. Pref.
Barham — Pentland Inds.
Courtney Pope — Sale Tilney
EIS — Smith & Nephew
High-Point Services — TSL Thermal Synd.
Lamont Hldgs. — Trident Computer
Lon. & Midland Ind.
Low & Bonar

INSURANCE (3)
Legal & General — Trade Indemnity
London United

LEISURE (4)
Julian's Hldgs. — President Entertains.
Miss World — Television Services

NEWSPAPERS (3)
Collins (Wm.) — Octopus Publishing
Fleet Hldgs.

PAPER (3)
Bunzl — Waddington (J.)
Peters (Michael)

PROPERTY (3)
Land Investors — Wates City of London
Speyhawk

TEXTILES (5)
Allied Textile — Illingworth (Morris)
Foster (John) — Do. A
Leeds Group

TRUSTS (4)
City & Comm. Cap. — Tor Inv. Cap.
Lowland Inv. — Parambe

OILS (1)
Osceola Hydrocarbs.

MINES (2)
East Rand Cons. — Musto Explins.

NEW LOWS (15)

BRITISH FUNDS (1)
Treas. 2½pc I.L. '13

AMERICANS (1)
Tenneco 10pc Conv. Ln 1991-95

BUILDINGS (1)
Erith

STORES (1)
Gent (S. R.)

ELECTRICALS (3)
BSR Intl. — Pressac
Crystalate

FOODS (2)
Sutherland (E. T.) — Whitworth's Food

INDUSTRIALS (2)
Clarke (Clement) — Wilshire Systems

LEISURE (1)
Spectrum

PAPER (1)
Bemrose

MINES (2)
Emu Hill Gold — Pahang Cons.

F.T. Share Information

The following securities have been added to the Share Information Service.

Addison Page (Section: Paper, Printing and Advertising).

Bluebird Toys (Industrials).

Eastern Petroleum (Australia Limited (Oil and Gas)

Memcom International Holdings (Electricals).

Polly Peck International 9 per cent Conv. Uns. Loan Stk. 2003-08 (Industrials).

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
158	Nil	14/6	20pm	14pm	United Bi[illegible]	[illegible]	[illegible]
240	Nil	13/5	28pm	25pm	Watmoughs	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully-paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. Φ Figures or report awaited. ‡‡ Units comprising 5 Ord., 1 Warrant and £2.50 nominal of conv. stock.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar 18	Mar 29	June 27	July 8
Apr 1	Apr 19	July 11	July 22
Apr 22	May 3	July 25	Aug 5

For rate indications see end of Share Information Service

Stocks favoured for the call included C. H. Bailey, Tricentrol, Premier Oil, Atlantic Resources, Morgan Crucible, Sangers, Crystalate, Adam Leisure, Riley Leisure, Reliant Motor, Barratt Developments, Appledore, Stockley, Carless Capel and Leonard and Horace Cory. A put was taken out in Riley Leisure, while a double option was transacted in Berkeley and Hay Hill.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Avon Rubber	295	−18
Brewmaker	36	− 4
Brit Aerospace	398	+20
Canning (W.)	96	−11
Delta Group	138½	+ 5
Enterprise Oil	202	− 3
Fleet Holdings	298	+25
IMI	115½	− 1
Jaguar	314	− 1
Man Ship Canal	323	+28
Pentland Inds	533	+33
Standard Chartered	465	+ 5

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
ICI	18	794	+12
BAT Inds	16	358	+ 7
Falcon Res	14	487	+13
BTR	13	707xd	+ 8
Comm Union	13	200xd	− 3
Shell Trans	13	710xd	− 9
Crown Intl New	12	85	—
UBM	12	149	+10
Beecham	11	367	+ 2
Bmtt. Hallams	11	80	+10
Jaguar	11	315	+ 1
P. & O. Defd.	11	350	− 8
Thorn EMI	11	421	− 9
Ultramar	10	215xd	+ 1½

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	21	44	41
Corpns, Dom. and Foreign Bonds	14	7	51
Industrials	233	378	835
Fin. and Props.	62	165	320
Oils	24	37	63
Plantations	3	5	9
Mines	35	60	83
Others	36	99	78
Totals	428	795	1,480

EUROPEAN OPTIONS EXCHANGE

Series	May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACT: 26,354

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*540)	460	88	95	108	1½	5	10
	500	45	60	73	7	11	20
	550	15	23	40	28	33	42
	600	5	16	27	70	73	78
Cons. Gold (*522)	460	67	77	87	2½	8	16
	500	32	47	57	11	26	30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls May	Calls Aug.	Calls Nov.	Puts May	Puts Aug.	Puts Nov.
Imperial Gp. (*193)	160	38	44	—	2	3	—
	180	22	29	34	6	9	11
	200	15	21	24	13	20	24
	220	5	10	14	31	35	38
LASMO (*356)	300	65	70	—	4	7	—
	330	43	53	60	10	13	20
	360	30	43	50	25	32	38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Mar. 26. Total contracts 7,283. Calls 4,860. Puts 2,423
* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

1984-85 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
98⅞	93½	Treas 3pc 1985	98⅞	+⅛	3.05	13.56
102⅝	99⅛	Treas 11½pc 1985	99⅞	−⅛	11.57	13.30
99⅝	96⅞	Treas 8¾pcCnv '85	98⅞	−⅛	8.90	12.66
104⅞	99⅞	Exch. 12¼pc 1985	99⅞	−⅛	12.27	12.43
103⅞	99⅛	Exch. 11¾pc '86	99¼	−⅛	11.78	11.99
102⅛	96⅛	Treas. 10pcCnv 1986	98⅞xd	−⅛	10.17	11.66
94⅛	88¾	Treas 3pc 1986	93½	−⅛	3.21	9.09
102	96¼	Exch. 10½pc Cv '86	98⅞	−⅛	10.67	11.98
104⅞	99⅛	Treas 12pc 1986	99⅞	−⅛	12.02	12.05
98¾	93⅛	Treas 8½pc 1984-86‡‡	96⅞	−⅛	8.84	11.75
108⅞	102⅞	Exch. 14pc 1986	103xd	−⅛	13.59	11.92
89¾	85	Exch. 2½pc 1986	88¾	−⅛	2.82	10.03
107⅞	100⅞	Exch. 13¼pc 1987	102¼	−⅛	12.96	11.79
100⅝	94½	Treas 10¼pcCv '87	97⅞	−⅛	10.43	11.85
87¾	83½	Exch 2½pc 1987	87⅞	−⅛	2.86	9.93
101⅞	94½	Exch. 10½pc 1987	97¾xd	−⅛	10.74	11.79
92¾	87	Funding 6½pc '85-87‡‡	91¼xd		7.12	11.33
99⅝	92⅞	Treas. 10pc 1987	96⅞	−⅛	10.37	11.85
86⅝	81⅞	Treas 3pc 1987	86⅛	−⅛	3.48	9.88
105	97¾	Treas. 12pc 1987	100⅞	−⅛	11.99	11.95
94⅝	87⅞	Treas 7¾pc 1985-88‡‡	91¾	−⅛	8.45	11.21
100⅝	92⅞	Exch 10½pc '88	96¾	+⅛	10.85	11.77
98⅞	89⅞	Treas 9½pc Cv '88	94½	−⅛	10.32	11.83

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

1984-85 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
22⅞	14½	Amer Medical Int $1	20¼	+⅛	60c	—	2.5
59⅝	20½	Amer. Nat. Res. $1	55	.....	h$1.41	—	2.3
20⅝	10⅝	American T & T. $1	18	−⅛	$1.20	—	5.7
79½	43⅛	Ameritech $1	69¾	−1⅛	$6.00	—	7.3
25	15⅛	Amfac‖	22	−⅛	$1.44	—	5.6
47p	16½p	♥AndTech‖	40p	...	—	—	—
18½	10⅛	Bankamerica $1⅝	16	..	$1.52	—	8.6
60½	27½	Bankers N.Y. $10	54xd	+⅞	$2.70	—	4.3
12⅛	919p	BASIX Corp.	10xd	−⅛	12c	—	1.0
80⅝	46⅛	Bell Atlantic $1	70⅞	−1⅛	$6.80	—	8.2
34⅛	19⅛	Bellsouth $1	30¼xd	−⅞	$2.60	—	7.2
20⅝	12	♥Beth Steel $8	14½	..	40c	—	2.5
24	11⅞	Bowater Inc.	18⅞	−⅛	72c	—	3.3
40½	19⅝	Brown'g-Fer. 16⅔c	35	−1⅛	$1.08	—	2.6
37⅛	16⅝	Brunswick Corpn.#	29	−1⅛	$1.00	—	2.9
875p	405p	♥Business Computer	448p	.....	—	—	—
39⅞	24⅛	CPC Intl. 25c	35⅞xd	−1½	$2.20	—	5.2
25	14⅛	CSX Corp U.S.$1.00	20⅛	.....	$1.04	—	4.6
16⅛	10⅛	CalFed Inc $1.00	14⅞	+⅛	32c	—	1.9
65⅛	39⅛	Campbell Soup 60c	60½	+⅛	$2.50	—	3.5
36½	24⅛	Caterpillar Tractor‖	25⅝xd	+⅛	50c	—	1.7
12⅞	643p	Cenergy Corp. 25c	732p	.....	1c	—	—
52⅛	27⅛	Chase M'htn $12.5	44⅛	−⅛	$3.65	—	7.1
38⅛	17⅛	Chemical New York	32	.....	$2.36	—	6.6
34⅛	22⅞	Chesebrough-Pond's $1	26⅛	−⅛	$1.92	—	6.1
32⅛	15⅛	Chrysler $6¼	29⅛	+⅛	$1.00	—	2.9
42⅞	19⅞	Citicorp $4	36½xd	−⅛	$2.26	—	5.3
23½	14⅛	Colgate-P. $1	20⅛	.....	$1.28	—	5.6
57⅞	35⅛	Colt Inds. $1	50⅛	−⅛	$2.50	—	4.2
34½	17	Cons. Foods $1⅓	31⅛	−⅛	$1.30	—	3.5
155p	43½p	Cont Illinois Hldgs $1	85p	.....	—	—	—
275p	100p	♥Corporate Data Sce.	215p	.....	—	—	—
36⅛	20⅛	Crown Zell. $5	34⅝	−1⅛	$1.00	—	2.5
29⅛	9⅛	Cullinet Sftwr $0.1	22½	−⅛	—	—	—
711p	321p	Damson Oil 40c	403p	.....	—	—	—
28⅛	15⅛	Dana Corp. $1	23	.....	$1.28	—	5.0
67	27⅞	Data General	35½	−1⅛	—	—	—
118p	37p	♥Derma-Lock Medicl	37p	.....	—	—	—
67	54⅛	Dun & Bradstreet $1	60⅛	−⅛	$1.88	—	2.6
55½	27⅞	Eaton Corpn. 50c	44⅛xd	−½	$1.20	—	2.3
46½	24½	♥Exxon‖	42½	+⅛	$3.40	—	6.8
20⅛	18⅛	FPL Group $0.01	18⅛	−⅛	h$1.88	—	8.8
17⅛	331p	Fin. Corpn. Amer. 50c	596p	−9	h34c	—	4.9
23⅛	13⅞	First Chicago $5	19½	....	$1.32	—	6.1

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
104	65	Marley	87	−1	3.75	φ2.2	6.2	9.8
86	40	Marling Ind 10p	85		†d3.0	5.6	2.2	10.8
46	29	Marshall L'ng 'A'	42	+1	†1.2	3.6	4.1	(7.5)
77	37	Marshalls Universal	68	−1	2.0	♦	4.3	♦
89	77	Do. 7½pcCnRedPf £1	82		7½%	—	13.1	—
30	20	Martin Black	22		—	—	—	—
£108	£81	Mathesons 7¼%	£90		Q7¼%	2.3	11.0	—
435	287	Metal Box £1	420	−2	†15.0	3.2	5.1	6.8
220	129	Metal Closures	162	−1	6.3	2.3	5.6	(9.0)
27	9	Metal Scenes 2½p	13		—	—	—	—
133	73	Midland Marts	88	+3	4.0	1.8	6.5	11.1
84½	45	Mitchell Cotts	69½xd	−½	4.0	1.5	8.2	9.9
225	132	Morgan Crucible	225		†7.5	1.2	4.8	(22.7)
36	22	Morris (W) F.A. 20p	27		φ0.5	♦	2.6	♦
110	80	Moss (Robt.) 10p	99	+1	†12.5	2.3	3.6	14.3
330	197	NMW Computers	307	−3	6.0	3.0	2.8	17.1
65	35	Nash Inds	35		2.5	1.5	10.2	8.1
48	30	Neil & Spencer 10p	37		♦—	—	—	11.1
33	13	Newman Industries	30	−1	—	—	—	♦
33½	16½	Do. 10pc Cn.Cm Pf	33½	+1	10%	—	4.3	—
67	39	Nolton	55					
183	132	Norcros	167	+1	a1.1	4.5	2.9	9.2
86	53	No-Swift 5p	58	+2	†7.5	2.4	6.4	8.8
100	50	Oakwood Grp	93		†2.4	3.2	5.9	7.6
190	135	Office & Elect	163	−2	d4.5	1.4	6.9	(13.7)
108	88	Oldacre 20p	88		7.5	4.2	6.6	7.5
925	625	Oriflame Intl SA	900xd	−25	46.81	♦	7.4	♦
46	25	Overstone 12½c	27					
£175	£120	Ozalid 9pc Cnv 87-92	£173	−2	Q9%	—	—	—
190	105	PCT Grp 10p	135		g4.8	2.9	5.0	8.3
£14	975	PLM 'B' Sk 25	£13½		Q21.6%	♦	4.1	♦
193	149	PSM Intl	178	−1				

LEISURE—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
288	182	LWT	238	−7	14.4	2.3	8.6
75	42	Leisuretime Int 10p	62		2.1	♦	4.9
162	98	Mngmt. Ag. M. 10p	162xd		φ8.75	1.2	7.7
184	118	Media Tech Int 20p	157		φ2.58	3.9	2.3
200	76	Medminster 10p	194	−3	4.85	2.6	3.6
250	138	Miss World 10p	250xd	+20	3.6	4.1	2.1
26	15	Nationwide Leis.	24		0.5	♦	3.0
46	9	Norwich Int 20c	25		—	—	—
31½	14½	Owners Abroad	19½	−½	0.75	6.1	5.5
66	33	Photax (Lon.)	42		—	—	—
29½	20	P'dilly Radio NV 5p	23½		1.87	♦	11.4
130	55	Pineapple Dnc 5c 10p	65		d1.5	1.2	3.3
458	285	Pleasurama 5p	456		g9.2	♦	2.9
88	75	Pres. Entertain 50p	88	+1	bq2.0	2.0	3.2
198	28	Radio City 'A' NV	28	−2	5.6	0.9	28.6
70	45	Radio Clyde N.V.	45		3.25	2.0	10.3
148	30	Riley Leisure 10p	55	−1			
193	94	Saga Hols. 20p	193		4.0	♦	3.0
£10½	311	Samuelson Grp £1	950		†9.0	3.6	1.4
39	18	Sangers Photo 10p	38		b2.0	1.1	7.5
202	138	Scantro 50p	202	+2	bq3.68	2.2	2.6
190	98	Scot. TV 'A' 10p	150		†8.1	2.9	7.7
508	186	SeaCo Inc $0.125	404	+11	—	—	—
35	9	Select TV 10p	12		—	—	—
145	98	Spectrum 5p	98	−5	g2.0	4.8	2.9
37	24	TSW 5p	28		1.5	2.6	7.7
157	79	TVS N/Vtg 10p	120	−3	6.0	2.2	6.0
230	102½	Television Svcs 50p	230	+5	†1.5	4.2	0.9
90	60	Tottenham Hotspur	78	+2	†d2.3	1.6	7.3
260	120	Trid'ng TV 'A' 10p	250		†7.5	1.8	4.3
173	100	W21st Century Dnc	127½		—	—	—

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

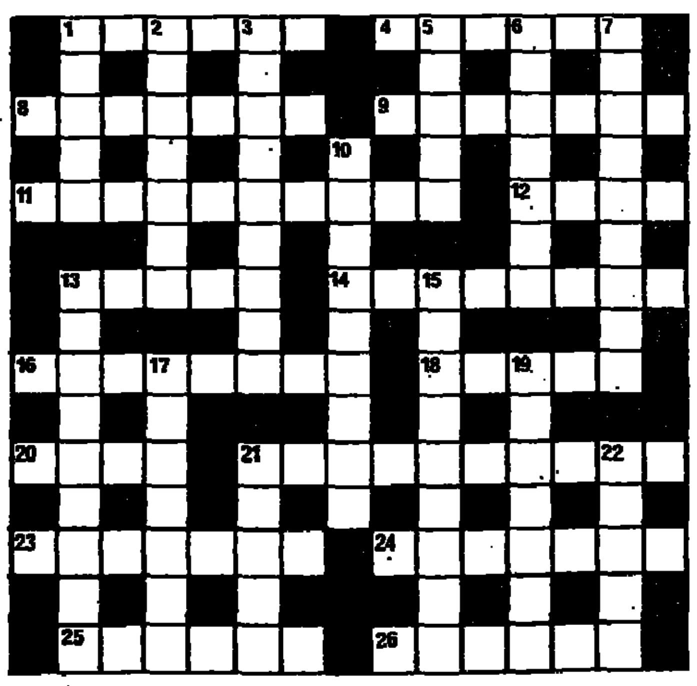
"Recent Issues" and "Rights" Page 31

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

F.T. CROSSWORD PUZZLE No. 5,679



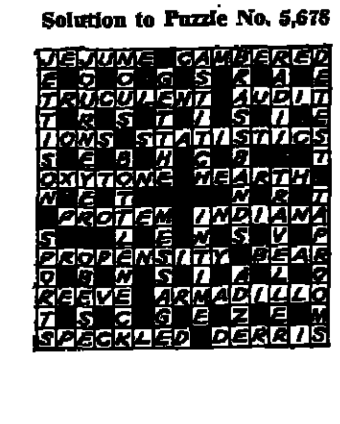
ACROSS

1 Supply lines (6)
4 Back in a moment (6)
8 Height of a piece of sculpture is about right (7)
9 Teased and made cracks (7)
11 Happy carol turns out not to be authentic (10)
12 Part of a window dresser's flamboyant attire (4)
13 I held out for foreign capital (5)
14 Spot of wet weather (8)
16 But they don't look down in the mouth (3-5)
18 Left port with cargo (5)
20 Punch about the body (4)
21 Has a stroke of luck? (5, 2, 3)
23 Yet a cricketer is not out to improve his! (7)
24 Overlook four in the smithy (7)
25 Slides about and moves sideways (6)
26 Good man in a new role looking after horses (6)

DOWN

1 Nominate a candidate, anyway (3, 2)
2 and 15: They deceive the pupils (7, 9)
3 I try penal reform — others subscribe to it (5, 4)
5 A girl goes inside to get help (5)
6 Objected to work, took up modelling (7)
7 Clothing reduction rate? (5, 4)
10 Ex-prime minister badly led by the clergy (9)
13 Autumn sweepings adversely scattered (3, 6)
15 See 2 down
17 Rude tot has to be made to be taught (7)
19 Accomplished young woman in Ireland (7)
21 A huge sprawling city (5)
22 Nerve broken? Not at all! (5)

Solution to Puzzle No. 5,678



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet. 01-440 8210
Fund Managers, Touche Remnant & Co.

Sel Sec A	27.4	28.9		—
Managed	21.0	22.2		—
Equity	16.8	17.7		—
Blue Chip	22.8	24.1		—
Special Sits	24.9	26.3		—
International	28.9	30.5		—
American	22.7	23.9		—
Pacific	22.0	23.2		—
Property	17.2	18.2		—
Fixed Yield	19.8	20.9		—
Index Linked Secs	11.3	11.9		—
Int Currency	13.8	14.6		—
Deposit	16.0	16.9		—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.83	15.57		—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202/0733 262524

Multi Gwth Mar 6		£315.369		
Multi Gwth "A" Mar 6	282.9	297.8		—
Op 8 Prop Mar 14	264.9	278.9		—
Op 8 Equity March 26	389.0	409.5	+0.9	—
Op Hy March 21	266.4	280.5		—
Op 8 Man Mar 21	354.9	373.6		—
Op 8 Dep March 25	203.6	214.4		—
Op 8 Bond Mar 21	184.0	193.7		14.62
Op 8 Int Dist Mar 21	148.5	156.4		8.29
Op 8 Int Man Mar 21	213.7	225.0		—
Op 8 US$ Mar 21	153.1	161.2		12.12
Pens 8 Pr Ac Mar 15	352.8	371.4		—
Pens 8 Eq Ac Mar 15	1,131.5	1,191.1		—
Pens 8 FI Ac Mar 15	395.2	416.0		—
Pens 8 Md Acc Mar 15	644.1	678.0		—
Pens 8 Dp Acc Mar 15	328.3	345.6		—
Pens8Gart Glbe Mar 15	118.9	125.2		—
Pens 8 Gart NA Mar 15	104.4	109.9		—
Pens8Gart/P Mar 15	128.7	135.5		—

For Pension Capital Units please ring ext 2396 or 2361

Britannia Funds—Series A

Am Smlr Co's	135.2	142.4		—
Am Spec Sits	156.8	165.1	-0.6	—
Commodity	82.5	86.9	-0.7	—
Extra Inc	119.6	125.9	-0.3	—
Far East	117.8	124.0	+0.6	—
FI Secs	159.6	168.0		—
Gold & Gen	78.9	83.1	-0.6	—
Inc Growth	163.9	172.6	-0.2	—
Intl Fund	122.9	129.4	-0.4	—
Japan Perf	152.7	160.8	-1.4	—
Japan Smlr Cos	80.9	85.2	-0.7	—
Nat High	158.0	166.4	-0.3	—
Prop Shares	125.3	131.9	+0.3	—
Spec. Mkt. Sits	120.8	127.2	+1.0	—

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-623 4200

Managed	203.3	214.1	-0.5	—
UK Equity	238.0	250.6	-0.5	—
Overseas Eq.	200.2	210.8	-1.7	—
American	202.3	213.0	-1.1	—
Far East	175.4	184.7	-1.0	—
Property	113.1	119.1		—
Fixed Int	162.6	171.0		—
Indexed Gilt	107.4	113.1		—
Deposit	115.5	121.6		—

Pension Fund Prices

Man Initial	204.0	214.8	-0.5	—
Man Acc.	228.6	240.7	-0.5	—
UK Eq. Initial	225.6	237.5	-0.5	—
UK Eq.	247.0	260.0	-0.6	—
Overseas Eq. Initial	220.1	231.7	-1.6	—
Overseas Eq.	254.9	268.4	-1.7	—
Americas Initial	227.7	239.7	-1.1	—
American	252.7	266.0	-1.3	—
Far East Initial	220.9	232.6	-1.8	—
Far East	245.8	258.8	-2.0	—
Prop. Initial	108.6	114.4	-0.1	—
Prop.	120.6	127.0		—
Fixed-Int. Initial	146.6	154.4		—
Fixed Int.	162.1	170.7		—
Indexed Gilt Initial	100.6	105.9		—
Indexed Gilt	111.7	117.6		—
Deposit Initial	114.4	120.5		—
Deposit	127.5	134.3	+0.1	—

NPI Pensions Management Ltd.

Managed Fund	546.4	574.6		—

Prices March 1. Next dealing April 1

New Zealand Insurance PLC
110/114, Saxon Avenue, Southend. (0702) 344555

Kiwi Key (Managed)	377.4	389.3		—
UK Equity	173.1	182.3	+0.9	—
American	261.0	274.7	+0.6	—
Pacific	383.4	403.5	+0.7	—
Property	154.0	162.1		—
Gilt	177.0	186.3	+0.1	—
High Inc. Equity	165.5	174.2	+1.7	—
High Inc. Fxd. Int	107.1	112.8		—
Deposit	151.4	159.3		—
Index-Linked Gilt	104.7	110.3		—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 622200

NUIG (Managed Funds) Ltd.

Managed Fund	527.1	554.8	-1.5	—
Equity Fund	977.5	1028.9	-4.9	—
Property Fund	269.5	283.7	+0.2	—
Fixed Int. Fund	286.8	301.9	-0.2	—
Deposit Fund	176.9	186.2		—

Save & Prosper Group
28, Western Rd, Romford RM1 3LB 0708 66966

Global Equity Fund (z)	94.9	100.5	-0.4	—
Bal. Inv. Fd	303.5	321.2	+1.9	—
Property Fd	299.3	316.8		—
Gilt Fd.	236.7	250.0	+0.2	—
Deposit Fd †	198.4	210.0	+0.1	—
Man. Pens Fd.	65.2	69.1	-0.1	—
Equity Pens Fd	67.3	71.3	-0.2	—
Prop. Pens Fd	56.5	59.8		—
A. G. Bond Fund (z)	73.8	78.1		—
Dep Pen Fd	53.6	56.8		—
Gilt Pens Fd	52.9	56.0	+0.1	—
Global Eq Pens Fd	74.1	78.5	-0.4	—

†Weekly dealings.

Schroder Life Assurance Ltd.
Enterprise House, Portsmouth. 0705 827733

Equity	585.1	615.8	+1.4	—
Fixed Interest	258.2	271.7	-0.1	—
Managed	308.9	325.1	+0.6	—
Deposit	187.2	197.0		—
Overseas	196.0	206.3	+1.3	—
Property	285.4	300.4	+0.3	—
American	196.5	206.8	-0.3	—
Australian	117.6	123.7	+0.8	—
European	190.2	200.2	+1.3	—
Gilt & Fxd Int	140.1	147.4		—
Income Accum	262.0	275.7	+0.3	—
Income Distrib	204.2	214.9	+0.2	—
International	191.0	201.0	+1.0	—
Japan Smlr Co's	114.6	120.6	-0.1	—
Singapore & Malay	139.9	147.2	+0.3	—
Smaller Co's	256.2	269.6	+0.7	—
Tokyo	217.3	228.7	+1.6	—
U.K. Equity	240.1	252.7	+0.1	—
CCM Vanguard Mngd.	261.9	275.6	-0.5	—
Equity Pension	348.9	367.2	+1.1	—
Fxd Int Pension	211.5	222.6	-0.1	—
Guaranteed Pens	118.9	125.1		—
Index-Linked Pen.	102.1	107.4		—
Managed Pension	771.6	812.2	+1.8	—
Deposit Pension	116.4	122.5		—
Overseas Pension	201.2	211.7	+1.4	—
Property Pension	253.0	266.3	+0.3	—
Special Ex Pension	201.9	212.5		—

Prices are for Life Series 4 Accum; Pension Series C Accum March 26

Scottish Amicable Investments

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Managed	313.1	329.6	-1.5	—
Property	239.9	252.6		—
Fixed Int	150.6	158.6		—
UK Equity	317.3	334.0	+0.6	—
Int. Equity	226.0	237.9	-2.7	—
Deposit	141.3	148.8		—
Managed Property	122.6	129.1	+0.2	—
American Capit	105.5	111.1	-1.6	—
Technology	83.6	88.1	-1.9	—
U.S. Special Bond	126.5	133.2	-0.5	—
Pacific	109.0	114.8	-2.1	—
Australian	111.4	117.3	-1.6	—
Japan	159.2	167.6	-7.7	—
Malaysia & S pore	113.6	119.6	-1.9	—
Commodity	121.9	128.4	-0.7	—
Energy	82.4	86.8	+0.2	—
Gold	115.9	122.1	-0.7	—
Financial	144.7	152.4	-1.1	—
Income	156.2	164.5	-0.6	—
Special Situations	184.3	194.1		—
Preference	108.3	114.0		—
Managed Currency	78.5	82.7	+0.2	—
European				
Sterling	101			7.5

Pension Funds

Managed Pension	832.3	876.2	-3.7	—
Gilt Pens.	293.5	309.0	+5.0	—
Property Pens.	337.1	354.9	+1.0	—
Equity Pens.	360.4	379.4	+1.6	—
Index-L Plan	112.4	118.3	+0.5	—
Guar. Pen	215.5	226.8	+0.1	—
Uncertain Retirement	111.3	117.2		—

Prices quoted are for Accumulation units.

Transinternational Life Ins. Co. Ltd.
55-57, High Holborn, WC1V 6DU. 01-831 7481

Series 2 Man. Fd.	213.7	224.9		—
Series 2 Equity Fd	266.4	280.4		—
Series 2 Prop. Fd	202.9	213.6		—
Series 2 Fixed Int. Fd.	190.1	200.1		—
Series 2 Money Fd	138.3	145.5		—
Series 2 D'vals Fd.	188.9	198.8		—
Tulip Invst. Fd	419.8	441.9		—
Tulip Managed Fd	294.4	309.8		—
Managed Inv. Fd. Inl.	208.2	219.1		—
Managed Inv. Fd. Acc.	242.8	255.5		—
Man. Pen. Fd. Cap.	329.3	346.6		—

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

COMMODITIES AND AGRICULTURE

Minimum saleable potato size to be raised

THE POTATO Marketing Board agreed yesterday to increase the minimum saleable size of potatoes from next season in a move which could reduce potential supplies by about 100,000 tonnes.

From September 1, the so-called minimum riddle size for ware potatoes will be 45mm compared with the current 40mm.

The decision follows the board's repeated failure to agree an increase in the riddle size for this season, a move which might have shored up prices languishing under the influence of a large surplus.

● U.S. FUTURES funds rose in value for the third straight month. On the Norwood Index, 50 of the 64 publicly offered commodity funds listed rose 4.7 per cent from January to February. The best showing of the month came from Boston future fund 111, which rose 17.2 per cent from January.

● INDIAN TEA: Traders have been hit by the raising of the state tax on the interstate sale of tea in the West Bengal budget. The tax is being lifted from 2 per cent to 3 per cent in Calcutta, India's largest tea auction centre, and from 1 per cent to 2 per cent in Siliguri.

● LONDON TEA: The weighted average for the 26,058 packages of tea sold at this week's London sale was 264.68p a kilo against 212.63p last week and 248.14p a year ago. This is the lowest price since October 31, 1983.

● SOUTH PACIFIC: Kiribati expects to reach agreement with the Soviet Union next month giving Moscow fishing rights in 2m sq miles of the South Pacific.

● RUBBER: India's production of natural rubber is estimated to rise to 187,080 tonnes in the year ending this month, from 175,000 tonnes and 165,800 tonnes in the last two years.

● LAMB: The European Community has introduced a temporary aid scheme for private storage of lamb in France in a bid to shore up sheepmeat prices. It is the first time such a scheme has operated for lamb in the EEC.

Gold price rises sharply on strong U.S. buying

BY JOHN EDWARDS, COMMODITIES EDITOR

THE GOLD MARKET sprang to life again yesterday. The London bullion spot price rose by $8.25 to $324 an ounce, following some strong buying on the New York futures market (Comex).

One company, Phibro, was reported to have bought over 1,000 lots (of 100 ounces each) on Comex in a market where there was little selling resistance.

There were rumours of possible Texas banking problems, similar to those suffered in Ohio recently, and the failure of the dollar to sustain a recovery also helped to make traders nervous of selling gold.

The impact of the sudden rush of buying interest was exaggerated by the fact that "local" traders on the New York futures market were taking a very cautious attitude after the heavy losses they suffered last week.

The Comex Clearing Association confirmed that it will cover a capital shortfall of $10m resulting from the failure of one of the clearing members, Volume Investors, to meet its financial obligations (for example margin calls). A Comex spokesman said the clearing association would be "taking the hit" and using its reserve of $100m to ensure customers did not suffer.

He said this was the first time a clearing house member had defaulted because it was unable to meet its financial obligations, adding that the circumstances had been most unusual.

The rise of more than $35 in the gold price last Tuesday was the biggest ever daily increase in percentage terms, he said, and came after a long period of very quiet trading. Only with hindsight could it be said that Volume Investors had been overextended (with a rumoured "short" position of some 4,000 lots).

He said it was unlikely that the problems of one small clearing member would have much affect on a market the size of gold. Other forces were at work. It was those forces, like the Ohio banking crisis and weaker trend in the dollar, that had driven prices up so dramatically last week and caused the problems for Volume Investors, which had been a big "player" in a low volume market.

In London, traders noted that after the $50 upsurge last week, there had been the classic 50 per cent retrenchment of the gain, encouraging chart followers to believe a firm base had been established for a further rise. However, the trend in the dollar remains the key influence.

● Impala Platinum of South Africa announced in Johannesburg it had cut its producer selling price of palladium by $30 to $120 an ounce, effective immediately. The reduction in the producer price follows the weaker trend in the free market for palladium, which was quoted in London yesterday at $114 an ounce.

Fight to reduce impact of milk levy stepped up

BY IVO DAWNAY IN BRUSSELS

EFFORTS TO dilute the impact of the punitive "superlevy" on surplus EEC milk production appeared to be gaining pace yesterday as ministers resumed talks on the Community's farm prices for 1985-86.

A consensus is growing among member states to maintain, at least for another year, adjustments to last year's reform deal which allow national, as opposed to producer or dairy level, quotas. That would markedly reduce pressure on farmers to cut output.

West Germany, Belgium and Luxembourg are also seeking to abandon a deal agreed last year further to reduce Community production by 1m tonnes. They propose that a special 3 per cent "co-responsibility" levy—imposed on farmers to pay for surpluses be continued, instead of being reduced by 1 percentage point as had been agreed

The adoption of either of these two proposals would come as a serious blow to the European Commission's efforts to entrench the fragile milk reform package accepted after agonising debate by ministers last year.

Mr Franz Andriessen, the new Farm Commissioner, offered national quotas for one year only in a compromise move on milk reform in January. But he has always vigorously insisted that this temporary revision must be removed from next month.

Setting national production levels distances individual farmers from the impact of the levy and increases the pressure on national governments to take financial measures to support them, which is legally forbidden under the Treaty of Rome.

London sets up live pig futures market

By John Buckley

LONDON WILL have its own futures market in live pigs with effect from April 16, it was decided at a meeting of the London Meat Futures Exchange last night.

First delivery position for the new contract, which will run in parallel with the existing pig meat (deadweight) market, will be May, according to Mr Chris Prior-Willeard, LMFE secretary.

By designing a highly deliverable contract the LMFE will be breaking away from fashionable thinking on agrifutures markets, Mr Prior-Willeard said. He added that the live contract, based on 50 pig, average weight 60 kg lots, had constructed a delivery procedure which could be used as a realistic alternative for slaughtering companies to procure pigs.

Kennecott shutdown boosts copper

By Our Commodities Editor

COPPER PRICES rose on the London Metal Exchange yesterday after news that the big U.S. producer, Kennecott, was to suspend operations indefinitely at its Utah copper division.

Although the Utah division is operating at only a third of its refined capacity of about 180,000 tonnes, the loss of output is significant and marks the closure of the famous Bingham Canyon mine.

The rise in London was held back by the firmer trend in sterling. Nevertheless the higher grade three months quotation closed £11.75 up £1,218.5 a tonne after reaching £1,223, while in New York values were up over 1 cent a lb in early trading.

Trading in "strategic" metals remains generally quiet. However, selenium prices weakened, faling to a range of $5.80/$6.40 compared with $6.60/$7.20 a week ago.

● All prices as supplied by Metal Bulletin

ANTIMONY: European free market, 99. per cent, $ per tonne, in warehouse, 2,900-3,100.

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 5.90-.10.

CADMIUM: European free market, min. 99.95 per cent, $ per lb, in warehouse, ingots, 0.85-0.95, sticks, 0.90-1.00.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 11.30-11.40.

MERCURY: European free market, min. 99.99 per cent, $ per flask, in warehouse, 290-300.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 4.35-4.45.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.80-6.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 74-78.

VANADIUM: European free market, min. 98 per cent V_2O_5, other sources, $ per lb VO, cif, 2.38-2.42.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 15.00.

British plantation investors set to reap new harvests

Andrew Gowers reports on the changes sweeping the industry as a new generation of financiers comes to the fore

SOMETHING is stirring down on the plantation. After decades of low-profile life, British plantation investors are on the move.

The development is highlighted by two City of London events separated by only a few weeks: the launch of what is billed as Britain's first specialist investment trust for plantation shares, and the first major new company flotation in the sector for more than 50 years.

Between them, according to the men involved, these moves point to a broader change sweeping the industry as a new generation of financiers comes to the fore.

From 1900 to 1928, in the great period of colonial consolidation, about 80 plantation companies came to the London stockmarket. Before the Second World War, there were about 200 companies involved in tea alone—enough to populate a separate stock exchange in Mincing Lane. Many more specialised in rubber, cocoa and palm oil.

Since then many have disappeared, swallowed up in a tide of mergers. And in the 1960s and early 1970s the sector's image was severely dented by nationalisations in Asia, and by a plunge in the price of key commodities.

Now the picture is different. Third World radicalism in Indonesia has given way to what is cautiously perceived in the City as a more realistic approach to foreign investment. More importantly, the prices of commodities like palm oil have been remarkably buoyant.

That is not to say the Indonesians are about to open their arms to a major expansion of foreign plantation investment. The opportunities are clearly limited.

But it does mean that three companies with a heavy involvement in Indonesia feel confident enough to merge their Sumatran plantation interests under a newly-incorporated company, and to try to raise the sterling equivalent of $7.5m to develop a large palm-oil estate—mainly from existing shareholders.

The companies are Anglo-Indonesian Corporation, Plantation and General Investments and REA Holdings, a subsidiary of International Investment Trust Company of Jersey.

Their new creation, Anglo-Eastern, with three developed rubber and cocoa estates as well as the 6,000-hectare Tasik palm-oil venture, is estimated to have net assets of £10m, and is expected to be floated around the middle of next month.

"This is one of the last great plantation deals in Indonesia," says one experienced observer.

In a sense, the merger is merely a logical extension of current co-operation between the three companies.

The men behind the deal—Mr Richard Robinow of REA, Mr Konrad Legg of Plantation and General, and Mr Michael Nightingale of Anglo-Indonesian, key figures in the new generation of plantation investors—are already closely linked through shareholdings in each others' companies.

And the Tasik estate is already jointly owned and managed by all three. "There's quite a lot of incest here," says Mr Nightingale.

The idea of putting Tasik, which was granted to the companies as compensation for expropriations under the Sukarno regime in the 1960s, together with their other Sumatran interests is to use their joint strength and profit record to raise funds, and to give them what Mr Nightingale calls "a balanced diet" of commodities.

The companies are also eyeing the development of another 19,000 hectares in the Riau area of Indonesia, but the authorities—who promised them this estate in 1980—have yet to give them a green light by formally allocating the land.

This apparent deadlock is believed to be one item on the agenda of the visit by Mrs Margaret Thatcher, the British Prime Minister, to Indonesia next month.

Mr Nightingale, who will be Anglo-Eastern's chairman, is bullish about the Indonesian ventures, despite indications that some of the crops involved may be past their peak prices.

What is described as the "fantastic profitability" of Asian plantations has not escaped the notice of another group of financiers which last week launched the Plantation Trust Company.

This specialist trust, designed to raise £9.7m for investment in permanent crops, is described as the only one of its kind. But although its directors see some opportunities in the East and in Australia—particularly with the productivity gains in Asian agriculture—they are particularly excited about the U.S.

They reckon the decline in land values sparked by the current agricultural depression could bring them unlisted investments at bargain-basement prices, particularly in California.

Mr David Pinsent, chairman of Anglo American Agriculture and a director of the trust, waxes lyrical about the prospects for seedless grapes, citrus and almonds grown in the state.

"Everybody thinks U.S. agriculture is a total disaster area," says Mr John Campbell, director of merchant bankers Noble Grossart and a former managing director of plantation group McLeod Russel. "It's not. It's like the British engineering industry 10 years ago. Then was the time to buy shares."

With other investors beginning to look West instead of East, perhaps the Americas—North and South—represent the area for future growth in plantations.

As one of the "new wave" investors remarked: "The older companies in this sector are extremely conservative. They tend to stick with what they have. Why don't they get off their butts and look at what's happening in the U.S.?"

LONDON MARKETS

LONDON cocoa, coffee and sugar markets were all subdued yesterday, with prices showing a generally easier tone.

Cocoa's near May position traded between £2,037 and £2,050 a tonne before gaining some late support from a steadier trend in New York and closing at £2,048. This compared with £2,072 bid on Monday night.

Robusta futures were down by between £13 and £35 on the day, with May closing at £2,296 a tonne as buyers stayed out of the market.

In sugar futures, trading was quiet and cautious, as the market awaited the result of yesterday's Indian tender for six cargoes of whites for April/June shipment.

MAIN PRICE CHANGES

in tonnes unless otherwise stated

METALS	Mar. 26 1985	+ or −	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1126.140	−5	$1120/1140
Copper			
Cash h Grade	£1200.5	+15	£1266
3 mths	£1218.5	+11.75	£1128.75
Gold troy oz	$324	+8.25	$286.5
Lead Cash	£303.5	+2	£330.75
3 mths	£312.75	+2	£340.75
Nickel			
Free Mkt	256/258c	−1	252/262c
Palladium oz	$114.00	+1.7	$112.75
Platinum oz	$272.25	+4	$251.25
Quicksilver†	$285/295		$285/295
Silver troy oz	532.95p	−3.40	535.25p
3 mths	550.45p	−3.10	562.95p
Tin cash	£9,610	−51	£10,201.5
3 mths	£9,627.5	−47.5	£10,232.5
Tungsten	$76.70	......	$75.68
Wolfram 22 04lb	$75/78	......	$73/77
Zinc	£782.5	+11.5	£838.5
3 mths	£756.5	+6.75	£819.75
Producers	$900-940	......	$800/940

OILS	Mar. 26 1985	+ or −	Month ago
Coconut (Phil)	$870v	+30	$840
Palm Malayan	$660y	......	$600
SEEDS			
Copra Phil	$510w	+5	$510
Soyabean (U.S.)	$253.4x	+0.4	$238
GRAINS			
Barley Fut. Sep	£98.80	+0.40	£115.90
Maize	£152.00	......	£148.75
Wheat Fut. May	£123.40	+0.40	£116.80
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£2047.5	−25	£2226
Coffee Ft. May	£2296.5	−16	£2456.5
Cotton A Index	67.45c	+0.1	68.00c
Gas Oil April	$232.5	+1.75	$228
Rubber (kilo)	67p	......	68p
Sugar (raw)	$111vy	+0.5	$108
Wooltops 64s	508pkilo	......	510pkilo

‡ Unquoted. w April-May. x April. y May. v March April. † Per 76 lb flask. c Cents a pound.

INDICES

FINANCIAL TIMES

Mar. 25	Mar. 21	M'th ago	Year ago
297.14	294.98	297.55	306.04

(Base: July 1 1952 = 100)

REUTERS

Mar. 26	Mar. 25	M'th ago	Year ago
1969.8	1966.0	2025.1	2001.0

(Base: September 18 1931 = 100)

MOODY'S

Mar. 25	Mar. 22	M'th ago	Year ago
966.2	964.3	949.2	1,080.5

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Mar. 25	Mar. 22	Month ago	Year ago
Spot	119.05	119.57	117.46	142.95
Fut.	122.99	123.00	120.32	145.64

(Base: December 31 1974 = 100)

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	1200-1	+14¼	1200-1	+15
3 months	1218.5-8.5	+15¼	1218 9	−11½
Settlem't	1201	+15		
Cathodes				
Cash	1203-7	−13.5	1202-3	+8
3 months	1213 20	−20	1216 7	+8
Settlem't	1207	+14	—	—

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,199, 1,200, three months £1,217, 16, 15, 16, 17, 18, 17.5, 17, 18, 19. Kerb: Higher Grade: Three months £1,220, 19.5, 19, 19.5, 20, 21, 22, 23, 22. Afternoon: Higher Grade: Cash £1,201, three months £1,222, 21, 20.5, 21, 22, 21, 20, 19.5, 19, 18. Cathodes: Cash £1,203, 1,200, 02. Kerb: Higher Grade: Three months £1,217, 16, 15, 14, 13, 12, 13, 14. Turnover: 21,150 tonnes. U.S. Producers: 66-70 cents per pound.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grde	£	£	£	£
Cash	9650-60	+15	9605-15	−55
3 months	9675-6	+10.5	9640 5	−52.5
Settlem't	9660	−15		
Standard				
Cash	9650 60	+22.5	9605-15	−51
3 months	9670-5	+35.5	9625-30	+47.5
Settlem't	9660	+25	—	—
Straits E.	$29.15		—	—

Tin—Morning: Standard: Cash £9,655, 50, 40, three months £9,660, 65. High Grade: Three months £9,676. Kerb: Standard: Three months £9,670. Afternoon: Standard: Three months £9,650, 55, 50, 51. High Grade: Three months £9,630, 25, 30, 35, 40. Kerb: Standard: Three months £9,620, 15, 10. Turnover: 1,565 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	306-.5	+5	303 4	+2
3 months	313.5-4	+3.5	311.5 3	+2
Settlem't	306.5	+5	—	—

Lead: Morning: Three months £311.5, 12, 13, 13.5. Kerb: Three months £314. Afternoon: Three months £313. Kerb: Three months £312, 11.5, 11, 10, 09.5. Turnover: 6,800 tonnes. U.S. Spot: 18-22 cents per pound.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	774-6	+5.75	788-3	+11.5
3 months	755-4	+4	755-6	+6.25
Settlem't	776	+8.5	—	—

Zinc—High Grade Official/Unofficial prices: Cash am £783-785, pm £788-788; three months am £783-784, pm £788-788; Settlement £785.

Zinc—Morning: Three months £755, 53.5. Kerb: Three months £755. Afternoon: Three months £755, 56, 58, 57, 56. Kerb: Three months £754, 53, 52, 51, 52. Turnover: 7,525 tonnes. U.S. Prime Western: 45.00-45.75 cents per pound.

ALUMINIUM

Alumn'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	920-.5	−8.25	925-4	−7
3 months	952.5-3	−5	964-6	−8.25

Aluminium—Morning: Three months £957, 56, 55, 54.5, 53, 52.5. Kerb: Three months £954.5, 55, 56. Afternoon: Three months £955, 54.5, 55.5, 55, 56, 54. Kerb: Three months £962, 62.5, 53, 52, 51, 52. Turnover: 11,175 tonnes.

GOLD

Gold rose $8¾ an ounce from Monday's close in the London bullion market yesterday to finish at $323¾-$324¼. The metal opened at $315¼-$315¾ and traded between a high of $325-$325¼ and a low of $315-$315¼. Early trading was generally quiet and featureless and the firmer trend occurred during the afternoon on fresh short-covering. Gold's overall trend has been unsettled just lately, reflecting erratic trading in the foreign exchange market.

GOLD BULLION (fine ounce) Mar. 26

Close	$323¾-324¼	(£274¾-275¼)
Opening	$315¼-315¾	(£269¼-270)
M'n'g fix	$316.00	(£268.548)
Aft'n'fix	$323.75	(£274.202)

GOLD AND PLATINUM COINS

Kr'g'rnd	$334¼-335	(£283-283¼)
½ Krug	$178-178¾	(£145¾-146¼)
¼ Krug	$87¼-88¼	(£74-74¾)
1/10 Krug	$35¼-36	(£29¾-30½)
Mapleleaf	$334¼-335¼	(£283¼-283¾)
New Sov.	$76¾-77½	(£65-65½)
½New Sov	$46-46¾	(£39-39½)
Old Sov.	$74½-75½	(£63-64)
$20 Eagle	$460-500	(£389¾-423¼)
Noble Plat	$279½-283	(£237-240)

SILVER

Silver was fixed 3.4p an ounce lower for spot delivery in the London bullion market yesterday at 532.95p. U.S. cent equivalents of the fixing levels were: spot 626.50c, down 4c; three-month 640.45c, down 3.8c; six-month 658.35c, down 4.55c; and 12-month 692.15c, down 4.85c. The metal opened at 534-537p (625-628c) and closed at 544-547p (642-645c).

SILVER per troy	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	532.95p	−3.40	544p	+7
3 months	550.45p	−3.10	563.25p	+7.75
6 months	565.70p	−3.50	—	......
12months	596.70p	−3.30	—	......

LME—Turnover: 62 (71) lots of 10,000 oz.

Morning: 1st ring three months 552, 51.5, 51, 52; 2nd ring cash 533. Kerb: untraded. Afternoon: 1st ring three months 561.5, 62, 62.5; 2nd ring three months 564. Kerb: three months 563.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	4430-5	−48	4430-40	−40
3 months	4475-80	−56	4460-5	−48

Nickel—Morning: Cash £4,425, three months £4,505, 4,500, 4,490, 85, 80, 75, 70, 75. Kerb: Three months £4,490. Afternoon: Three months £4,475, 80, 85, 83, 84, 70, 80, 85, 80. Kerb: Three months £4,480. Turnover: 1,104 tonnes.

COCOA

During a reasonably active day futures drifted lower. Physicals attracted consumer offtake and some dealer interest but producers remained sidelined, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
March	2014 2016	−32.0	2030-2011
May	2047 2048	−25.0	2059 2037
July	2011 2013	−23.5	2028 2004
Sept.	1996 1997	−20.0	2001-1989
Dec.	1916-1919	−15.0	1921-1911
Mar.	1910-1913	−9.5	1915-1906
May	1907-1910	−10.0	1910-1907

Sales: 4,113 (2,170) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for March 26: 104.76 (105.13): five-day average for March 27: 104.88 (104.75).

COFFEE

After opening slightly higher prices gradually moved lower against steadier sterling, reports Drexel Burnham Lambert. Lower levels in New York produced further losses but support around £2290, basis May, encouraged a recovery.

COFFEE	Yesterd'ys Close	+ or −	Business Done
March	2249-51	−14.0	2263-40
May	2295-98	−16.0	2315 98
July	2337-40	−15.0	2360-31
Sept.	2374 76	−18.5	2400-72
Nov.	2392-95	−22.5	2420-91
Jan	2360-66	−27.5	2390 60
March	2340-45	−15.0	2360-45

Sales: 1,946 (2,062) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for March 25: Comp daily 1979 134.23 (133.53); 15-day average 132.24 (131.99).

RUBBER

PHYSICALS—The London market opened slightly steadier, attracted little interest throughout the day and closed dull, reports Lewis and Peat. Closing prices (buyers): spot 67.00p (same); May 73.25p (73.00p); June 74.00p (73.75p). The Kuala Lumpur fob price for April RSS No. 1 was 200.5 (200.0) cents a kg and for SMR 20 was 197.5 (197.0).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 726 tonnes. Extensive purchases were recorded in most qualities. Users showed widespread interest in American type cotton.

GRAINS

Old crop wheat advanced in limited trading on shipper buying. Barley found speculative buying but quickly fell back on trade selling. New crops were steady with spread trading prominent against quiet, flat trade, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or −	BARLEY Yesterdys close	+ or −
May	119.95	+0.45	117.05	+0.25
July	125.40	+0.40	—	—
Sept.	98.55	+0.50	98.80	+0.40
Nov	101.75	+0.30	102.15	+0.25
Jan	105.55	+0.25	106.45	+0.24

Business done—Wheat: May 119.95-9.90, July 123.35-3.30, Sept 98.65-8.40, Nov 101.85-1.60, Jan 105.40 only. Sales: 147 lots of 100 tonnes. Barley: May 117.25-7.00, Sept 98.80-8.55, Nov 102.15 only, Jan 105.45 only. Sales: 98 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 15 per cent March 169.60, April-May 167.50, June 157, July 157.50 transhipment East Coast. U.S. No. 2 Soft Red Winter May 159.75, July-Aug 142 transhipment East Coast. EC French July 119 cif free out South-west Coast. English Feed fob May 123.50, June 124.50 sellers East Coast. Maize: U.S. No. 3 Yellow-French transhipment East Coast March-April 152. Barley: English Feed fob May 120.60, June 121.50 sellers East Coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: W. Mids 112.50, N. West 110.70. The UK monetary coefficient for the week beginning Monday April 1 will change to 1.000.

PIGMEAT

Lack of fresh news from Denmark and from the UK trade kept the market subdued but steady, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
April	110.50	110.50	110.80-110.50
June	107.10	107.50	107.50-107.10
Aug.	102.80	103.00	—
Oct	108.80	108.90	—
Nov	109.40	109.50	—
Feb	100.00	100.00	—

Sales: 8 (92) lots of 50 carcases, 3,250 kg.

POTATOES

Old crop found fresh support in the afternoon after a quiet morning. New crops reacted to PMB riddle changes and wete weather, gaining £3.00-6.00, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
April	41.00	39.90	41.00-38.90
May	48.90	46.60	49.50-46.50
Nov	74.10	71.10	74.10-71.50
Feb	84.00	78.00	84.00-78.50
Apr	99.50	94.50	99.50-95.00

Sales: 523 (349) lots of 40 tonnes.

OIL

Activity in the crude oil market was minimal. U.S. domestic sweet crudes rose 5-10c while other prices remained stable. Nymex WTI opened unchanged for May and gained 28c by 1 pm EST. In the petroleum products market gas oil continued quiet awaiting market direction. For the past week the U.S. products market has had a strengthening effect on gas oil and gasoline prices in Europe. Although the U.S. market was firm, the European gas oil market appeared to be waiting for last night's API statistics to see if this strength will continue—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	27.75-27.85	—
Arab Heavy	25.50-25.60	—
Dubai	27.15-27.25	—
Brent Blend	27.95 28.05	—
W.T.I. (1pm est)	28.20-28.30*	+0.10
Forcados (Nigeria)	28.00-28.20	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	263-265	+1
Gas Oil	237-239	—
Heavy fuel oil	154-158	—

* May

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or −	
	$ U.S. per tonne		
March	242.00	+0.50	242.00-41.50
April	232.50	+1.75	232.50-30.50
May	229.25	+1.25	229.50-27.50
June	225.50	+1.50	225.50-24.00
July	226.00	+1.50	226.00-25.75
Aug	224.75	+2.75	224.75
Sep	229.00	+3.00	

Turnover: 1,060 (1,562) lots of 100 tonnes.

SOYABEAN MEAL

The market was higher on firmer physicals and a steadier U.S. market.

	Yesterday close	+ or −	Business Done
	£ per tonne		
April	145.0-146.0	−0.25	145.4
June	138.8-139.2	+0.85	135.4-135.4
August	136.8-138.1	+1.00	135.6-135.2
October	140.0-140.1	+0.65	139.9-138.5
Dec	145.5-146.0	+1.00	146.0
Feb	150.5-151.5	+0.15	150.5
Apr	151.5-152.6	+0.65	

Sales: 837 (881) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $111.00 (£94.50), up 50c (up 60p) a tonne for March-April-May delivery. White sugar $135.000, up $2.50.

Prices showed little change in quiet trading conditions, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
May	116.4-115.6	114.4-114.6	115.0-114.2
Aug	119.0-119.2	118.4-118.6	119.8-118.0
Oct	122.4-122.6	125.4 122.8	124.0-122.6
Dec	128.4 128.6	129.0-130.0	130.0-128.8
Mar	142.2-142.8	145.2-145.4	145.8-142.8
May	147.2-148.0	148.4-149.0	148.0-147.6
Aug	152.8-153.6	153.0-154.0	

Sales: 774 (934) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £204.00 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for March 25: Daily price 3.81 (3.83); 15-day average 3.82 (3.84).

HIDES

HIDES — Birmingham (Manchester). Second clears. Ox: 31-35.5 kg, 111.6p a kg withdrawn (112.9p); 26-30.5 kg, 121.7p a kg withdrawn (123.3p withdrawn); 22-25.5g, 133.0p a kg withdrawn (136.0p). Cows: under 25.5 kg, 135.7p a kg withdrawn (139.7p).

U.S. MARKETS

HEATING OIL rose sharply following the escalation of the Iran/Iraq conflict; short-covering by commission houses and speculative buying carried the market to new high, reports Heinold Commodities. Wheat declined on active profit-taking following recent advances after the market's failure to penetrate new highs. Maize was mixed in a narrow range as nearby months came under pressure in response to a softening basis. Soyabeans traded nominally higher after it could not hold earlier advances. Gold and silver values rallied sharply in response to a firm tone in currencies and lingering concerns over unrest in South Africa and Gulf tension. Copper firmed reflecting the closure of a Kennecott mine in Utah due to low prices. Sugar was steady as traders waited the results of the Indian buying tender. Cocoa traded on both sides of the previous close with nearby supply concern being offset by favourable crop forecasts

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	48.85	—	—	48.95
April	48.95	—	—	49.05
May	49.35	49.80	49.35	49.45
July	50.15	50.60	50.30	50.30
Sept	50.95	51.15	51.15	51.15
Dec	52.15	52.45	52.45	52.40
Jan	52.55	—	—	52.80
March	53.35	—	—	53.65
May	54.15	—	—	54.45
July	54.95	—	—	55.25

COCOA 10 tonnes, $/tonnes

	Latest	High	Low	Prev
May	2390	2398	2356	2373
July	2213	2224	2195	2202
Sept	2190	2197	2175	2178
Dec	2125	2125	2106	2106
March	2105	2105	2105	2100
May	2120	2120	2105	2100
July	2115	—	—	2100

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
May	144.54	46.20	44.60	46.00
July	144.84	46.20	44.60	45.99
Sept	144.37	45.30	44.10	45.26
Dec	143.50	44.50	43.50	44.50
March	143.00	43.25	43.00	43.50
May	141.75	—	—	42.50
July	140.75	—	—	41.25

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
March	61.20	61.80	61.30	60.45
April	61.35	—	—	60.60
May	61.75	62.46	61.70	61.00
July	62.20	62.95	62.15	61.56
Sept	62.50	63.10	62.55	61.90
Dec	63.00	63.75	63.00	62.50
Jan	63.20	—	—	62.70
March	63.60	64.20	63.75	63.10
May	64.10	64.50	64.20	63.60
July	64.60	—	—	64.10

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
May	67.40	67.75	67.05	67.48
July	65.70	66.00	65.46	65.80
Oct	65.15	65.25	65.05	65.22
Dec	65.25	65.30	65.15	65.35
March	66.30	66.34	66.30	66.20
May	66.80	66.75	66.75	66.65
July	66.85	67.00	66.75	67.00

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
May	28.43	28.53	28.03	28.09
June	27.87	27.98	27.88	27.80
July	27.61	27.74	27.23	27.23
August	27.56	27.88	27.15	27.07
Sept	27.45	27.45	27.10	26.95
Oct	27.20	—	—	27.00
Nov	27.41	27.40	27.05	27.15
Dec	27.09	27.40	27.00	27.19

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
March	324.2	—	—	316.1
April	324.4	327.0	316.5	318.4
May	326.7	327.0	327.0	318.6
June	329.0	332.0	321.0	320.9
August	333.8	336.0	326.5	325.6
Oct	338.9	340.0	331.5	330.6
Dec	344.5	346.0	337.0	336.1
Feb	350.3	349.9	349.5	341.9
April	356.1	356.0	347.6	347.6
June	362.4	—	—	353.8
August	368.8	—	—	360.1
Oct	375.5	374.0	374.0	366.7
Dec	382.5	381.7	381.7	373.4

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
April	82.15	82.50	81.30	81.50
May	77.60	78.00	76.35	76.78
June	74.50	74.90	73.30	73.71
July	73.40	73.65	72.60	72.72
August	73.65	73.85	73.15	73.20
Sept	74.15	74.15	73.40	74.00

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
May	160.80	62.20	60.30	61.40
Sept	161.95	62.50	61.25	62.25
Nov	160.20	60.00	59.90	60.25
Jan	160.15	60.75	60.75	60.25
March	160.35	—	—	60.50
May	160.35	—	—	60.50
July	160.35	—	—	60.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
March	272.0	273.0	272.0	268.2
April	272.4	273.5	266.5	268.4
July	276.7	277.5	269.8	269.6
Oct	282.6	283.5	276.5	275.2
Jan	289.2	290.0	287.0	281.8
April	296.8	296.0	296.0	289.4

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	646.3	647.5	633.5	629.6
April	647.2	—	—	630.3
May	651.6	654.0	637.0	634.5
July	661.1	664.0	646.0	643.9
Sept	672.1	675.0	657.0	654.9
Dec	688.9	694.0	676.0	672.6
Jan	695.9	—	—	678.5
March	708.1	707.0	704.0	690.6
May	721.4	726.0	721.0	703.9
July	735.0	—	—	717.6

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
May	3.88	4.02	3.93	3.94
July	4.11	4.19	4.10	4.13
Sept	4.29	4.34	4.27	4.30
Oct	4.41	4.50	4.40	4.47
Oct	4.41	4.50	4.40	4.47
Jan	4.94	—	—	4.99
March	5.32	5.44	5.32	5.40
May	5.59	5.69	5.59	5.67
July	5.80	5.87	5.80	5.90

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
April	62.82	62.95	62.07	63.12
June	66.92	67.25	66.42	66.22
August	65.65	65.90	65.00	65.05
Oct	64.42	64.60	63.90	63.82
Dec	65.45	65.50	64.75	65.05
Feb	65.75	65.75	65.50	65.40
April	66.95	66.95	66.95	66.40

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
April	46.05	46.25	45.05	45.22
June	51.02	51.17	49.80	49.75
July	52.52	52.60	51.52	51.35
August	52.42	52.75	51.60	51.72
Oct	49.45	49.50	48.60	48.57
Dec	49.75	49.80	49.12	49.15
Feb	49.55	50.00	49.40	49.20
April	46.60	47.00	46.40	46.15
June	49.00	49.00	49.00	48.90

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
May	278.0	279.6	277.4	278.4
July	278.8	279.8	278.0	278.6
Sept	270.0	270.6	269.2	269.4
Dec	264.0	264.6	263.2	263.2
March	272.4	273.2	271.6	271.6
May	279.4	279.4	278.2	278.4
July	282.0	282.0	281.0	281.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
May	72.77	73.40	71.05	71.95
July	73.20	73.85	71.70	72.32
August	71.50	72.30	70.40	70.90
Feb	75.90	75.90	74.55	74.42
March	75.20	75.20	74.00	73.20
May	75.60	75.60	74.86	73.60
July	76.10	76.10	75.25	74.10

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	615.2	619.4	613 4	614.4
August	615.4	619.4	614.4	165 4
Sept	608.0	611.0	605.4	606.0
Nov	610.0	612.4	606.2	608 2
Jan	621.0	623.0	619.0	619.0
March	631.0	632.4	629 4	629.4
May	639.4	640.0	638.0	637.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
May	137.0	138.8	136 5	137.0
July	143.1	145.0	142.5	143.1
August	146.1	146.0	145.6	146.0
Sept	148.3	149.5	148.0	148.3
Oct	151.0	153 0	150.5	151.0
Dec	156.0	157.2	155.7	156.0
Jan	158.3	159.8	158.3	158.3
March	163.0	—	—	163.5

SOYABEAN OIL 60,000 lb, cents/lb

	Latest	High	Low	Prev
May	30.33	30.59	29.91	29.87
July	28.87	28.80	28.25	28.28
August	27.80	27.80	27.35	27.35
Sept	25.70	25.85	26.45	26.65
Oct	25.90	25.80	25.50	25.50
Dec	24 80	24.95	24.66	24.77
Jan	24.62	24.75	24.55	24.47
March	24.20	24.65	24.20	24.40

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
May	366.8	361.2	354.6	360.2
July	336.2	336.6	334.0	336.2
Sept	335.6	337.2	333.4	335.2
Dec	345.6	347.0	343.4	346.0
March	351.0	352.0	349.4	352.0
May	347.4	—	—	348.4

SPOT PRICES—Chicago loose lard 24.00 (same) cents per pound. New York tin 525.0-57.0 (525.0-55.0) cents per pound. Handy and Harman silver bullion 647.5 (630.0) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. May 617.0, 620.0, 618.0-617.0; July 618.0, 620.0, 620.0-618.0; Oct 593.0, 600.0, 600.0; Dec 602.0, 609.0, 605.0; March 610.0, 618.0, 618.0; May 620.0, 622.0, nil; July 630.0, 645.0, nil; Oct 620.0, 645.0, nil. Sales: 28.

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. March 474, 491, nil; May 504, 508, 504; Aug 528, 529, 529-526; Oct 531, 532, 532-531; Dec 533, 535, 534; Jan 535, 536, 536; March 544, 545, 544; May 551, 552, 551; Aug 564, 566, nil. Sales: 40.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter May 170, July 149, Aug 149. U.S. two northern spring 14 per cent protein March 183.50, April/May 165.50, June 165, July 165.50, Aug 166.50, Sept 166.50. U.S. northern spring 14 per cent protein April/May 175.50, Sept 178. U.S. three hard amber durum April/May 177, June 178, July 177, Aug 176, Sept 173, Oct 176. Canadian one western amber durum April/May 187, May/June 187, Sept 185.

MAIZE—(U.S. $ per tonne): U.S. three yellow afloat 137, April 134.50, May 133.75, June 133.75, July 133.75, July/Sept 134, Oct/Dec 127.50 sellers, Argentine Plate afloat 130, March 132, April 130, MayYJune 131.50 sellers.

PARIS

SUGAR—(FFr per tonne): May 1323-1324, Aug 1378-1382, Oct 1415-1422, Oct 1415-1422, Dec 1470-1483, March 1568-1574, May 1629-1634.

COCOA—(FFr per 100 kg): March 2332-2340, May 2320-2325, July 2285 bid, Sept 2266-2276, Dec 2175-2190, March 2160-2195, May 2160-2195.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.55p per kg lw (+0.54). GB—Sheep 218.68p per kg est dcw (+8.86). GB—Pigs 80.53p per kg lw (+1.78).

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 74.0 to 81.0; English hindquarters 83.0 to 97.0; forequarters 50.0 to 54.0. Veal—Dutch hinds and ends 124.0 to 127.0. Lamb—English small 86.0 to 94.0, medium 86.0 to 90.0, heavy 84.0 to 86.0; Scotch medium 82.0 to 88.0, heavy 80.0 to 85.0; Imported: New Zealand PL (new season) 67.5 to 68.5, PX (new season) 65.0 to 66.0. Pork—English under 100lb 47.0 to 60.0, 100-120lb 51.0 to 56.0, 120-160lb 42.0 to 48.0.

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES / FOREIGN EXCHANGES

Dollar eases in nervous trading

The dollar lost ground in currency markets yesterday. It was sold during the morning and after a brief rally around lunchtime, fell away during the afternoon. Once again the effects of the recent banking crisis in Ohio tended to undermine confidence to some extent. In addition the market was awaiting the results of this week's Treasury bills auctions and also the release on Friday of U.S. leading economic indicators.

The dollar closed at DM 3.2090 down from DM 3.2375 and SwFr 2.7210 compared with SwFr 2.7410. It was also lower in terms of the yen at Y255.45 from Y256.65. Against the French franc it fell to FFr 9.8025 from FFr 9.8875. On Bank of England figures, the dollar's exchange rate index fell from 150.5 to 149.6.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0525. February average 1.0933. Exchange rate index 75.7, unchanged from Monday, having touched a high of 75.9. The six months ago figure 76.4.

UK trade figures had little overall effect on sterling, coming in line with most market expectations. Once again the uncertainty surrounding the U.S. dollar tended to hold the pound within a relatively narrow range.

The pound traded between a high of $1.1830 and a low of $1.1675 before finishing at $1.1820-1.1830, a rise of 1.1c. Against the D-mark it was unchanged at DM 3.7950 as it was against the French franc at FFr 11.59. Against the Japanese yen it rose to Y302.0 from Y300.75 and SwFr 3.2125 from SwFr 3.2100.

D-MARK — Trading range against the dollar in 1984-85 is 3.4510 to 2.5535. February average 3.3008. Exchange rate index 120.2 against 120.9 six months ago.

The dollar was fixed at DM 3.2316 at yesterday's fixing in Frankfurt against DM 3.2247 and there was no intervention by the Bundesbank. Later in the day the U.S. unit fell away DM 3.2100 on profit-taking, touching a low of DM 3.2030. The dollar had reached a high of DM 3.2455 but eased after the opening of U.S. centres. Elsewhere sterling rose to DM 3.7960 from DM 3.7870 and the Swiss fracne was higher at DM 1.1797 from DM 1.1795.

Comments by Bundesbank President Herr Karl Otto Poehl underlined market sentiment that the recent scale of central bank intervention had helped to restrain the dollar or at least deter any renewed headlong rush into the U.S. unit. However, he stressed that the differential between U.S. and German interest rates could not continue indefinitely at its present level, giving rise to speculation that an increase in the level of German interest rates could not be discarded.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.9177	+0.04	+0.04	±1.5522
Danish Krone ...	8.14104	7.98091	−1.84	−1.84	±1.6419
German D-Mark	2.24184	2.23483	−0.31	−0.31	±1.1475
French Franc ...	6.87456	6.82891	−0.66	−0.66	±1.3669
Dutch Guilder...	2.52595	2.52550	−0.02	−0.02	±1.5171
Irish Punt	0.72569	0.715585	−1.39	−1.39	±1.6703
Italian Lira	1403.49	1421.22	+1.26	+1.26	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX

		March 26	Previous
8.30 am	......	75.7	75.4
9.00 am	......	75.8	75.3
10.00 am	......	75.9	75.5
11.00 am	......	75.9	75.9
Noon	....	75.8	75.7
1.00 pm	......	75.9	75.8
2.00 pm	......	75.9	75.6
3.00 pm	......	75.9	75.7
4.00 pm	......	75.7	75.7

£ in New York

	March 26	prev. close
£ Spot	$1.1835-1.1845	$1.1740-1.1750
1 month	0.55-0.51pm	0.52-0.50pm
3 months	1.26-1.21pm	1.20-1.17pm
12 months	1.65-1.50pm	1.43-1.35pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1675-1.1830	1.1820-1.1830	0.54-0.51c pm	5.33	1.28-1.21pm	4.18
Canada	1.6150-1.6320	1.6260-1.6300	0.51-0.43c pm	3.47	1.04-0.90pm	2.38
Nethlnd.	4.26½-4.29½	4.28¼-4.29¼	2¾-2⅝c pm	7.52	7-6⅞pm	6.47
Belgium	75.82-76.40	76.30-76.40	26-21c pm	3.69	60-52pm	2.93
Denmark	13.54¼-13.67¼	13.56½-13.57½	3-1½ore pm	2.10	7¼-6¼pm	1.99
Ireland	1.2107-1.2180	1.2115-1.2126	0.12p pm-0.05dis	−0.35	0.24pm-.21d	−0.05
W. Ger.	3.77½-3.80¼	3.79-3.80	2⅞-2¾pf pm	8.70	7½-7pm	7.44
Portugal	208-216¼	211-215	135-485c dis	−17.75	475-1410d	−17.70
Spain	210-211½	210¾-211¾	25-15c pm	1.14	15pm-15dis	—
Italy	2,401½-2,420¼	2,413½-2,414½	1-2½ lire dis	−0.87	6-9dis	−1.24
Norway	10.85¼-10.89½	10.87½-10.88½	2-1ore pm	1.65	3½-2¼pm	1.01
France	11.53½-11.61	11.58½-11.59½	3½-3c pm	3.36	7½-6⅝pm	2.44
Sweden	10.85¼-10.91¼	10.87-10.88	⅞-par ore pm	0.48	¼pm-¼dis	−0.02
Japan	300-302½	301½-302½	2.10-2.00y pm	8.15	5.40-5.20pm	7.02
Austria	26.55-26.75	26.61-26.71	17¾-16⅝gro pm	7.88	44⅝-41⅝pm	6.47
Switz.	3.19¾-3.22¼	3.20¾-3.21¾	2⅝-2¼c pm	8.64	6¾-5⅞pm	7.55

Belgian rate is for convertible francs. Financial franc 76.70-76.80. Six-month forward dollar 1.68-1.63c pm, 12-month 1.65-1.50c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.1675-1.1830	1.1820-1.1830	0.54-0.51c pm	5.33	1.28-1.21pm	4.18
Ireland†	0.9615-0.9765	0.9712-0.9725	0.45-0.40c pm	5.28	1.10-1.00pm	4.34
Canada	1.3745-1.3805	1.3760-1.3780	0.20-0.23c dis	−1.87	0.60-0.65dis	−1.81
Nethlnd.	3.6180-3.6680	3.6275-3.6285	0.73-0.70c pm	2.34	2.17-2.14pm	2.35
Belgium	64.48-65.21	64.50-64.60	9½-10½c dis	−1.86	25-27dis	−1.60
Denmark	11.46¾-11.61¼	11.47¼-11.47¾	3½-4ore dis	−3.89	4¾-5¾dis	−1.64
W. Ger.	3.2030-3.2455	3.2085-3.2095	0.92-0.89pf pm	3.38	2.70-2.65pm	3.31
Portugal	178½-182	178½-180½	200-500c dis	−23.20	600-1400d	−22.10
Spain	178.30-180.31	178.50-178.70	58-65c dis	−4.11	160-180dis	−3.79
Italy	2,037-2,065	2,042-2,043	10-10½ lire dis	−6.06	28½-29dis	−5.58
Norway	9.20-9.29¾	9.21¼-9.21¾	2½-2¾ore dis	−3.24	7-7½dis	−3.13
France	9.79½-9.9½	9.80-9.80½	1.57-1.67c dis	−1.97	4.30-4.55dis	−1.79
Sweden	9.18½-9.29½	9.20-9.20½	3¼-3¾ore dis	−4.53	9½-10dis	−4.21
Japan	255.40-256.95	255.40-255.50	0.62-0.52y pm	2.66	1.90-1.80pm	2.88
Austria	22.52½-22.83¼	22.55-22.60	4¾-4gro pm	2.31	14½-12½pm	2.38
Switz.	2.7120-2.7630	2.7205-2.7215	0.80-0.74c pm	3.37	2.40-2.34pm	3.46

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 64.85-64.95.

OTHER CURRENCIES

Mar. 26	£	$		£ Note Rates
Argentina Peso..	390.39-391.08	330.42-330.72	Austria............	26.55-26.80
Australia Dollar.	1.6840-1.6880	1.4285-1.4306	Belgium	76.50-77.00
Brazil Cruzeiro...	5,045-5,073	4,270-4,290	Denmark.........	13.51-13.64
Finland Markka.	7.8335-7.8675	6.5600-6.6650	France	11.54-11.65
Greek Drachma.	160.71-164.34	137.01-139.98	Germany	3.77½-3.80¼
HongKong Dollar	9.1845 9.1945	7.8000-7.8030	Italy	2395-2430
Iran Rial............	111.10*	94.60*	Japan..............	300-304
KuwaitDinar(KD)	0.3580-0.3585	0.30375 0.30385	Netherlands......	4.26¼-4.30¼
Luxembourg Fr.	76.30-76.40	64.50-64.60	Norway............	10.81-10.92
Malaysia Dollar..	3.0085-3.0170	2.5550-2.5600	Portugal..........	208-218
New Zealand Dlr.	2.5400-2.5700	2.1630-2.1770	Spain...............	208-213
Saudi Arab Riyal	4.2555-4.2605	3.6095 3.6105	Sweden............	10.80-10.91
Singapore Dollar	2.6455-2.6530	2.2450-2.2490	Switzerland.......	3.20-3.23
Sth African Rand	2.3280 2.3405	1.9705-1.9765	United States.....	1.16¼-1.18¼
U.A.E. Dirham....	4.3290-4.3345	3.6720-3.6730	Yugoslavia........	265-315

* Selling rate.

CURRENCY MOVEMENTS

Mar. 26	Bank of England Index	Morgan Guaranty Change %
Sterling	75.7	−13.5
U.S. dollar............	149.6	+34.5
Canadian dollar.....	88.2	−6.7
Austrian schilling..	110.3	+3.4
Belgian franc.........	88.5	−10.9
Danish Kroner	76.5	−5.6
Deutsche mark......	130.2	+6.2
Swiss franc...........	135.7	+6.3
Guilder.................	110.5	+2.7
French franc.........	63.9	−16.0
Lira......................	44.9	−17.1
Yen......................	154.8	+11.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Mar. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.828652	0.588302
U.S. $.........	8	0.973252	0.691256
Canadian $.	11.18	*	0.953586
Austria Sch.	4½	22.1162	15.7260
Belgian Fr...	11	63.2492	44.9177
Danish Kr ...	7	11.2386	7.09091
Dmark	4½	3.14516	2.23483
Guilder	5½	3.55578	2.52550
French Fr ...	9½	9.61476	6.82891
Lira...........	15½	1999.55	1421.22
Yen...........	5	250.126	177.169
Norway Kr..	8	9.02205	6.40102
Span'h Pta..	—	174.634	124.115
Swedish K..	9	9.03129	6.40344
Swiss Fr......	4	2.66593	1.89590
Greek Dr'ch	20½	N/A	95.5383
Irish Punt ...	12¼	1.00751	0.715585

*C$/SDR rate for March 25: 1.34651.

EXCHANGE CROSS RATES

Mar. 26	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Fran
Pound Sterling	1.	1.183	3.795	302.0	11.59	3.213	4.288	2414.	1.627	76.35
U.S. Dollar	0.846	1.	3.209	255.5	9.803	2.721	3.628	2043.	1.376	64.55
Deutschemark	0.264	0.312	1.	79.58	3.054	0.847	1.130	636.2	0.429	20.12
Japanese Yen 1,000	3.311	3.916	12.57	1000.	38.38	10.64	14.20	7994.	5.387	252.8
French Franc 10	0.863	1.020	3.274	260.6	10.	2.772	3.699	2083.	1.404	65.88
Swiss Franc	0.311	0.368	1.181	94.01	3.608	1.	1.335	751.5	0.506	23.77
Dutch Gilder	0.233	0.276	0.885	70.44	2.703	0.749	1.	563.1	0.379	17.81
Italian Lira 1000	0.414	0.490	1.572	125.1	4.801	1.331	1.776	1000.	0.674	31.62
Canadian Dollar	0.615	0.727	2.333	185.6	7.124	1.974	2.635	1484.	1.	47.93
Belgian Franc 100	1.310	1.549	4.971	395.5	15.18	4.208	5.615	3162.	2.131	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Mar. 26	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	14-14¼	8⅛-8⅜	9¾-10¼	6⅛-6⅝	1⅜-1⅞	6⅛-6⅞	10⅝-10¾	13¼-14¼	10¼-10½	10⅝ 10⅝	6⅜-6½	11⅛-11⅜
7 day's notice	14⅛-14¼	8⅞-8⅜	9⅞-10⅜	6¾-6⅞	14⅝-14⅞	5⅝-5¾	10⅞-10⅛	13¼-14¼	10½-10¾	10½-10¾	6⅞-7⅛	11⅛-11⅝
Month	13⅞-14⅛	8⅞-8⅞	10⅜-10⅛	6¾-6⅞	5⅝-5¾	5⅞-5⅞	10⅞-10⅞	14¼-14¾	10½-10⅝	10⅝-10⅝	6⅛-6⅜	11½-11
Three months	13⅞-13⅞	9⅛-9¼	11-11⅛	7⅞-7⅛	5¾-5⅞	5⅞-6⅛	10⅞-11⅛	14⅝-15⅛	10⅜-10¾	10⅞-10⅞	6⅝-6⅞	11¼-12¾
Six months	12⅞-12⅞	9⅛-9⅞	11⅛-11⅞	7-7⅛	5¾-5⅞	6⅛-6⅞	11⅝-11⅞	15-15⅜	10⅝-10⅞	10⅞-10⅞	6⅝-6⅞	11-11½
One year	12¼-12⅝	10½ 10⅝	11⅝-11⅞	7⅛-7¼	5⅞-5⅞	6⅝-6⅞	11⅞-12⅛	15⅝-16	11⅛-11⅝	11-11¼	6⅝-6⅞	11¼-12⅝

Asian $ (closing rates in Singapore): Short-term 8½-8⅝ per cent; seven days 8⅞-9 per cent; one-month 8⅝-8⅞ per cent; three months 9⅛-9⅜ per cent; six months 9⅜-9⅞ per cent; one year 10⅝-10⅞ per cent. Long-term Eurodollars: two years 11½-11⅝ per cent; three years 11¾-12 per cent; four years 12-12¼ per cent; five years 12¼-12½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

Quiet trading

Trading remained quiet on the London International Financial Futures Exchange yesterday. Eurodollars for June delivery opened strong at 89.81, reflecting good sentiment after a firm close to Treasury bills in Chicago overnight. Chart resistance was found at the day's peak of 89.89, and this was followed by selling out of Chicago. There was a general mood of optimism ahead of the first part of the $16.25bn U.S. Treasury refunding package, beginning last night, with the June contract closing near the day's high at 89.88, compared with 89.66 previously.

U.S. Treasury bonds for June also opened firm at 68-19, helped by the strength of the cash market. Trading was quiet ahead of the Treasury auction, with the June contract finishing near the day's peak, at 68-25, compared with 68-10 on Monday.

A UK Treasury forecast that interest rates will stay around present levels pushed three month sterling deposits down on Liffe after a steady opening. After beginning little changed at the day's high of 88.47 the June contract held fairly steady, before retreating in the latter part of the day, to finish at the day's low of 88.32, against 88.48 previously.

June gilts were firm in narrow trading, helped by the good performance of sterling. After opening at 105-25 the contract closed at 105-28 compared with 105-24, with dealers suggesting there is little to go go for at present, and no change anticipated in London interest rates.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
June	89.88	89.89	89.81	89.66
Sept	89.24	89.27	89.19	89.06
Dec	88.83	88.84	88.77	88.66
March	88.55	88.56	88.53	88.39
June	88.32	—	—	88.17

Est volume 4,622 (3,076)
Previous day's open int 15,493 (15,328)

THREE-MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev
June	88.32	88.47	88.32	88.48
Sept	88.87	89.05	88.87	88.98
Dec	88.92	89.05	88.92	88.97
March	88.85	—	—	88.80
June	88.85	—	—	88.75

Est volume 1,615 (1,457)
Previous day's open int 5,541 (5,444)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
March	105-15	105-16	105-14	105-13
June	105-28	105-29	105-22	105-24
Sept	109-25	109-25	109-22	109-16
Dec	109-27	—	—	109-18
March	109-16	—	—	109-07

Est volume 963 (721)
Previous day's open int 3,680 (4,097)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of near futures contract) −28 to −16 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.1680	1.1698	1.1630	1.1600
Sept	1.1640	1.1660	1.1602	1.1569
Dec	1.1630	1.1630	1.1615	1.2030

Est volume 44 (64)
Previous day's open int 6,828 (5,481)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
June	0.3137	0.3137	0.3112	0.3111
Sept	0.3167	—	—	0.3141

Est volume 103 (12)
Previous day's open int 299 (293)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
June	0.3702	—	—	0.3671

Est volume nil (9)
Previous day's open int 157 (157)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
June	0.3935	—	—	0.3925

Est volume nil (nil)
Previous day's open int 359 (361)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	128.95	129.30	128.60	129.65
June	128.70	129.60	128.60	129.80
Sept	129.20	—	—	130.30

Est volume 281 (107)
Previous day's open int 1,603 (1,506)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	68-25	68-28	68-19	68-10
Sept	67-30	67-31	67-30	67-15

Est volume 1,473 (962)
Previous day's open int 2,836 (2,716)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	68-25	68-29	68-20	68-20
Sept	67-31	68-02	67-25	67-26
Dec	67-07	67-10	67-03	67-03
March	66-19	66-21	66-16	66-15
June	65-31	66-04	65-30	65-29
Sept	65-18	65-18	65-14	65-14
Dec	65-06	—	—	65-00
March	—	—	—	64-20
June	—	—	—	64-09
Sept	—	—	—	—
Dec	—	—	—	63-22

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	91.08	91.16	91.04	91.00
Sept	90.56	90.62	90.53	90.51
Dec	90.22	90.30	90.19	90.17
March	89.93	90.01	89.93	89.92
June	89.76	89.76	—	89.74
Sept	—	—	—	89.57
Dec	—	—	—	89.42
March	—	—	—	89.28

CERT DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	91.16	91.18	91.14	91.10
June	90.23	90.28	90.21	90.18
Sept	89.60	89.63	89.58	89.54
Dec	89.12	89.19	89.12	89.10

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
June	89.85	89.89	89.81	89.78
Sept	89.20	89.24	89.17	89.14
Dec	88.80	88.82	88.76	88.73
March	88.47	88.52	88.46	88.43
June	88.24	88.25	88.24	88.19
Sept	88.03	88.03	88.01	87.97
March	87.63	87.64	87.63	87.59

STERLING (IMM) $s per £

	Latest	High	Low	Prev
June	1.1670	1.1715	1.1635	1.1620
Sept	1.1640	1.1680	1.1615	1.1591
Dec	1.1630	1.1665	1.1630	1.1573
March	1.1625	1.1660	1.1600	1.1575
Sept	—	—	—	1.1205

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
June	68-25	68-28	68-25	68-20
Sept	68-00	68-00	68-00	67-28
Dec	—	—	—	67-07
June	—	—	—	66-04
Sept	—	—	—	65-24

MONEY MARKETS

London rates little changed

A quiet day on the London money market closed with interest rates little changed overall. Another fairly large shortage was coped with comfortably, mainly through outright purchases of bank bills. The discount houses had little problem squaring their books, with day-to-day money in relatively good supply, and money available as low as 5 per cent towards the close.

UK clearing banks base lending rate 13½ per cent since March 20

On the interbank market three-month money closed unchanged at 13 9/16-13 11/16 per cent, while discount houses buying rates for three-month eligible bank bills were steady at 12¾ per cent.

The Bank of England forecast a money market shortage of £600m, and provided total help of £767m. The authorities offered an early round of assistance, and at that time bought £218m bills outright, by way of £64m bank bills in band 1 (up to 14 days maturity) at 13¾ per cent; £111m bank bills in band 2 (15-33 days) at 13⅝ per cent; £34m bank bills in band 3 (34-63 days) at 13¼ per cent; and £9m bank bills in band 4 (64-91 days) at 13 per cent.

Before lunch the Bank of England purchased another £280m bills, through £75m bank bills in band 1 at 13⅞ per cent; £120m bank bills in band 2 at 13½ per cent; £38m bank bills in band 3 at 13¼ per cent; and £47m bank bills in band 4 at 13 per cent.

In the afternoon the authorities bought £169m bills, by way of £13m bank bills in band 1 at 13⅞ per cent; and £156m bank bills in band 2 at 13½ per cent. Late assistance of £100m was also provided.

Bills maturing in official hands, repayment of late assistance and a take up of Treasury bills drained £243m, with the unwinding of repurchase agreements absorbing £967m. These outweighed Exchequer transactions adding £485m to liquidity, a fall in the note circulation of £50m, and bank balances above target by £60m.

LONDON MONEY RATES — Discount Houses Deposit and Bill Rates

Mar. 26 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight.........	—	7-14⅝	14⅛	11-14½	5-14	—	—	—	—	—
2 days notice ..	—	—	14⅜	—	—	—	—	—	—	—
7 days or.........	—	—	—	—	—	—	—	—	—	—
7 days notice ..	—	14⅛-14½	14⅜	14⅜ 14½	13½-13¾	—	—	—	—	—
One month........	14 1/16-13 15/16	13 13/16-14⅛	14	14¼	13⅛	13 1/16	13 3/32	13 1/16	13 3/32	13 15/16
Two months......	13⅝-13½	13⅝-13 13/16	13¾	13⅞	13	13 1/16-13⅛	13	13 1/16-13⅛	13	13¾
Three months..	13⅝-13¼	13⅝-13 11/16	13⅝	13¾	12¾	12¾	12⅝-12 11/16	12¾	12⅝-12 11/16	13⅜
Six months.......	12 9/16-12⅞	12⅝-12 13/16	12¾	—	—	—	—	12 1/16	11 13/16	12 11/16
Nine months ...	12⅝-12¼	12 9/16-12½	—	—	—	—	—	—	—	—
One year.........	12 5/16-12 3/16	12¼ 12½	12¼	—	—	—	—	—	—	—

MONEY RATES

March 26	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight..........	5.50-5.60	10¾	1⅞-2⅛	6⅝ 6¾	6.59375	15½-15⅞	8.66	14-14¼
One month.........	6.00-6.15	10⅝-10¾	5⅛-5⅝	6¾-6⅞	6.46875	15¼-15⅝	10 1/16-10⅜	14⅛-14⅝
Two months........	6.10-6.25	10⅝-10¾	—	—	—	—	—	14-14¼
Three months	6.20-6.35	10⅝-10¾	5¾-5⅞	6⅞-7	6.34375	15½-15⅞	10⅛-10 11/16	13⅞-14⅛
Six months.........	6.30-6.50	10 11/16-10 13/16	—	7-7⅛	—	—	10¾-11	13¾-14
Lombard.............	6.0	—	—	—	—	—	—	—
Intervervention	—	10½	—	6⅞	—	—	—	—

FT LONDON INTERBANK FIXING

(11.00 a.m. March 26)

Three months U.S. dollars

bid 9 5/16	offer 9 5/16

Six months U.S. dollars

bid 9 3/4	offer 9 7/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month.........	14⅛-14¼	—	13⅞	8.65-8.75	8⅛-8⅜	10⅛-10¼
Two months........	13⅞-14	—	13⅞	[illegible]	[illegible]	10⅛-10¼
Three months......	13⅞-13¾	—	13⅝	[illegible]	[illegible]	10⅛-10¼
Six months.........	12⅞-12¾	—	12⅞	[illegible]	[illegible]	10⅛-10¼
Nine months.......	12½-12¼	—	12¾	[illegible]	—	—
One year............	12½-12¼	—	12⅜	[illegible]	[illegible]	[illegible]
Two years..........	—	11⅞	—	—	—	—
Three years........	—	11⅞	—	—	—	—
Four years.........	—	11⅞	—	—	—	—
Five years..........	—	11⅞	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of Interest period February 6 to March 5 1985 (inclusive): 13.863 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12½ per cent from March 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11¼ per cent. Treasury Bills: Average tender rates of discount 12.3666 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 14 per cent; one-three months 13½ per cent; three-six months 13½ per cent; six-nine months 12½ per cent; nine-12 months 12½ per cent. Under £100,000 12 per cent from March 12. Deposits held under Series 5 12½ per cent. The rate for all deposits withdrawn for cash 8 per cent.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed funds	8⅝
Fed funds at intervention	[illegible]

Treasury Bills

One month	7.75
Two month	8.26
Three month	8.33
Six month	8.82
One year	9.01

Treasury Bonds

Two year	100¼
Three year	98⅞
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	98

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for March 26.

OVER-THE-COUNTER

Continued from Page 30

Indices

NEW YORK DOW JONES

CAPITAL MARKETS

NatWest's $400m floater tests UK's bank bond rules

BY MAGGIE URRY IN LONDON

NATIONAL Westminster Bank tested the Bank of England's draft guidelines on bank bond issues yesterday, with a $400m 20-year floating-rate deal (FRN). It met such good demand that it was increased from $300m and still traded within the five-basis-point selling concession.

Under the Bank of England rules, the issue is classed as subordinated capital and there is no negative pledge or cross default clause. However, the market seemed to shrug aside that "health warning" and was attracted by the issue's "plain vanilla" formula, after its recent diet of mismatch floaters and fancy fixings.

The bond will pay interest semi-annually at 3/16 per cent over six-month London interbank bid rate (Libid) and total fees are 15 basis points. County Bank is the sole lead manager.

NatWest is also calling a $150m FRN issue dated 1990 which pays interest at ¼ per cent over London interbank offered rate (Libor). With the difference between Libor and Libid at ⅛ point, NatWest is saving 3/16 per cent on the new issue.

The issue is callable after 1990, but the Bank of England's approval will be sought, to ensure that redemption would not weaken NatWest's capital base.

The issue may pave the way for further bank issues, although Midland Bank's plan to launch a perpetual floater is not directly affected by this dated issue.

Trading in Eurodollar fixed-rate bonds was quiet yesterday ahead of last night's first round of U.S. Treasury auctions. A firmer New York bond market helped the Eurodollar market to a gain of around ¼ point.

Nomura launched a $50m issue for Kinki Nippon Railway, which has a seven-year maturity and an 11⅞ per cent coupon. The bonds are likely to be placed in the Far East and were quoted just inside total fees of 1⅞ per cent.

Daiwa Europe launched a $50m 15-year convertible with an indicated 3 per cent coupon, for Sumitomo Special Metals. The bonds were quoted around the 2½ per cent fees.

The European currency unit floater market is still small, and dealers considered a Ecu 150m issue from Ireland to be too tightly priced for this immature sector.

The 12-year bonds pay interest at 1/16 per cent over six-month Libor for Ecus, and commissions total 25 basis points. Lead manager is Citicorp.

Competitive bidding for the issue may have caused the tight terms, and the bonds were bid at 99.70, outside the fees.

The Samurai market, which has been under the clouds of a weakening currency and rising yields since February, was reopened by an Asian Development Bank issue for Y25bn. The deal, led by Nomura Securities, matures in 15 years and has a 7.3 per cent coupon with a 99½ issue price. The coupon reflects the rise in interest rates on Japanese government bond issues.

The National Bank of Hungary has made its second private placement in the domestic yen market through a Y10bn seven-year deal led by Long-Term Credit Bank of Japan.

BHF Bank bond average		
March 26 100.707		Previous 100.694
High 103.042	1984/85	Low 98.056

D-Mark bonds picked up ⅛ to ¼ point in moderate turnover, although the undertone is still dull.

Swiss franc foreign bond prices were mixed in thin trading. The EIB's SwFr 150m 6 per cent issue started trading for the first time. The deal, led by Kredietbank, Gutzwiller and Soditic with a syndicate of 65 banks, had been regarded as generously priced at 99¼ – at which level it traded yesterday.

Dennison Manufacturing's bond-with-warrant gained a ¼ point yesterday to 95¾, while the warrants alone added SwFr 1 to SwFr 22.

Sonoike Manufacturing launched a SwFr 100m private placement led by Handelsbank. This convertible has a five-year life, an indicated yield of 1⅞ per cent and conversion premium of 5 per cent.

Another convertible private placement was announced by Wirtschafts-und-Privatbank for Kyoshan Electric. That raises SwFr 30m for five years, again with an indicated 1⅞ per cent yield.

Yokogawa Hokushin Electric broke new ground when it launched convertible issues in both the Swiss franc and guilder markets. The SwFr 100m private placement was led by Crédit Suisse. The maturity is in 1990, with an indicated 1⅞ per cent yield and 2½ per cent conversion premium.

The guilder issue, made on the parallel market of the Amsterdam Stock Exchange, was led by Amro Bank and is for Fl 100m. This, too, has a five-year life, with an indicated yield of 3½ per cent and a 5 per cent conversion premium. It was trading at a discount of around one point, inside the 1⅞ per cent selling concession.

Rank Xerox also raised guilders through a Fl 100m five-year straight issue paying a 8 per cent coupon with a 100½ issue price. The deal is led by ABN.

● Swedish Export Credit (SEK) has completed a LuxFr 1bn syndicated currency and interest rate swap with a group of 10 Luxembourg banks, led by PKbanken International. The five-year deal gets SEK fixed-rate Luxembourg francs at an interest rate of around 11 per cent, while the banks receive floating rate U.S. dollars well below Libor.

The swap, which had been increased from LuxFr 500m, enables SEK to use the U.S. dollars it has borrowed – at a level around 75 basis points below Libor – to obtain Luxembourg francs without attempting the difficult task of tapping that market. The deal is thought to be one of the first of its kind, and SEK may repeat the exercise in other markets.

Costa Rica seeks bond refinancing package

BY PETER MONTAGNON IN VIENNA

COSTA RICA has launched a formal effort to refinance about $100m of Eurobonds maturing this year through inclusion of the principal in the country's new debt rescheduling arrangement.

The proposals circulated this week to agent banks on the bond issues and to Cedel and Euroclear, the Eurobond clearing houses, are designed to prevent the country having to use its limited foreign exchange resources to redeem the paper.

Banks which hold Costa Rican bonds are invited to include them in the 10-year rescheduling, which bears a margin of 1⅞ per cent, but if this does not lead to the refinancing of a significant proportion of the maturing bonds the country will proceed with an exchange offer.

Under this offer bondholders will be invited to exchange their paper for new seven-year bonds bearing interest at a margin of 1¼ per cent over London Eurocurrency deposit rates. The bonds will be issued by the Costa Rican central bank and bear a republic guarantee.

Sr Frederico Vargas, Costa Rica's Foreign Debt Minister, said in the proposals that these terms are comparable with those on the rescheduling given the shorter maturity of the new paper and its marketability.

The proposals make it clear, however, that Costa Rica would prefer banks holding bonds to join the rescheduling. "They would thereby align their interests with those of Costa Rica's largest single creditor group, whose monitoring of the economy and linkage with the IMF and World Bank programmes will provide a considerable measure of security," Sr Vargas said.

Though the proposals are voluntary and cumbersome, bankers say they reflect an attempt to compromise between the unwillingness of creditor banks to see bondholders repaid and the bond market's emphatic refusal to become involved in any enforced rescheduling exercise.

FINANCIAL TIMES SURVEY

Mobile Communications

Potentially large communications markets are developing, particularly with the advent of cellular radio, where worldwide annual revenue is expected to be more than $5bn by the end of the decade.

The selling of cellular

By Jason Crisp

NEW TECHNOLOGY has brought substantial opportunities and business for the mobile communications industry, which was beginning to see most of its traditional markets mature with low growth prospects.

Potentially large new markets are appearing as a result of develoments in cellular radio, frequency hopping military radios, data communications by radio and even in new types of radio-pagers or bleepers.

Undoubtedly the major advance of the last two years has been the introduction of commercial cellular radio services in many leading countries — more than 20 years after the technique was first devised in American Telephone and Telegraph's Bell labs. The doubts about the commercial future of cellular are fading fast and worldwide revenues are expected to exceed $5bn a year by 1990.

While the civilian market is being boosted by the prospect of strong growth in cellular radio systems the military market has also been strengthened by demand for a new generation of radios which are smarter and more secure than anything that has gone before.

The industry's greatest sales are still for private dispatch services — taxis, couriers, and local delivery — and the public utilities — fire, ambulance and police. However, cellular radio telephony is expected to grow so rapidly that it will be greater than the rest of the civilian mobile communications business by the end of the decade.

The coming cellular radio boom has caught much of Europe unprepared, with the notable exception of Scandinavia. While the U.S. and Japan have moved rapidly to introduce cellular radio, several European countries have been dithering and disagreeing over political and technical issues. The result has been that most of the leading suppliers of cellular equipment are American, Japanese or Scandinavian.

Criticism

After a late start Britain has moved quicker than any country to introduce cellular radio. In less than two years since they received government approval two competing networks started service in January in the Greater London area and are being rapidly expanded to other cities.

The price of this swift introduction has been a system based on U.S. technology and a high level of imported equipment including exchanges, radio transmitters and mobile telephones. But as the chief executive of one of Britain's mobile communications companies commented: "If we had to start with a clean sheet it would have taken at least three years to get to the point where we had a field-tested mobile for cellular. The Government was not prepared to wait."

Britain's decision to adopt a version of the U.S.-developed AMPS system of cellular radio has brought considerable criticism from France and West Germany which wanted it to back a European developed system MATS-E. The UK backed AMPS because it was proven while MATS-E was still on the drawing board.

The result is that Britain does have cellular radio and France and West Germany — for a variety of reasons — have given up plans to introduce it next year. Increasingly, questions are being raised as to whether a late European technical solution will be any sort of barrier to U.S. and Japanese companies in full production supplying the large markets which have developed in those countries.

The argument is that the large-scale production of mobile cellular radios will result in both a standardisation and a reduction of the number of components. It may mean cellular radios will only need a small change to work on any technical standard.

Another critical difference between the UK and the rest of Europe which has had a significant impact on the speed at which cellular has been introduced is the competitive telecommunications environment.

In line with its policy of liberalising Britain's telecommunications the Conservative Government took a leaf out of the U.S. approach to cellular radio. It licensed two competitive systems, one to be run by the national telecommunications carrier British Telecom together with Securicor, the other by the aggressive electronics group Racal.

The City is expected to be a main user of the new cellular radio networks. Here the link is through British Telecom briefcase and car sets via an aerial such as that at Beulah Hill

"Cellular radio could not have been done quicker than it has in the UK," says Mr Malcolm Ross, senior consultant at Arthur D. Little. "There is a world of difference in the rules of the game in a competitive environment and one administered by civil servants."

After attempting to collaborate, both France and West Germany have missed out on the boom in cellular services which is appearing in other countries. The reasons for their failure to produce a joint system include disagreements and rivalries betwen the companies and governments involved. Some observers also believe that companies like Siemens and Matra were committed to other systems they had been developing and that they were not particularly enthusiastic about the proposed collaboration.

It means that potential customers in those countries will have to use more expensive systems until around 1990 when it is proposed to move straight to digital cellular radio.

In the meantime the West German Bundespost will introduce the C-Network next year which has been developed by Siemens and in France, Matra will introduce the Radiocom 2000 system giving the first French national mobile telephone system.

Unencumbered by such European rivalries the U.S. has begun to embrace cellular radio with enthusiasm in spite of setbacks in a few cities. Each major city has—or will have—two licensed operators one from the telecommunications industry and normally one of the Bell Regional Companies which were once part of American Telephone and Telegraph and the other from the radio common carrier business.

Cellular systems are now in operation—or are about to start—in 36 cities and there are nearly 100,000 subscribers. Equipment prices have been plunging from $2,500 for a mobile unit to $1,200. By contrast the UK cellular companies have started with prices at the lower level of £1,250 in the hope that they can be sustained.

But the pressures will be for price-cuts. The systems providers will be anxious to build up a substantial population of cellular customers to give the network a "critical mass." More pressure will come from the manufacturers themselves as they jockey for position in what is still a relatively small market.

The commercial battle-lines are being drawn between the Japanese, U.S. and European companies. The Japanese con-

CONTINUED ON NEXT PAGE

CONTENTS

Mobile Communications 2

British connection

Excell Communications says it has the only piece of British equipment on the market, its Futurephone, prepared for the Cellnet system in the company's home town of Manchester.

Big markets likely for electronics industry

Cellular radio

JASON CRISP

THE ADVENT of cellular radio has marked the beginning of a revolution in mobile telephone communications — at least according to the manufacturers and operators. They argue that lower costs of cellular radio will mean the mobile telephone will no longer be the preserve of senior executives and the very wealthy.

The early signs in Scandinavia and the U.S. indicate they are right. In the four Nordic countries where there is cellular radio, the system has been unexpectedly popular and the telephone authorities have had to step up investment to meet demand.

But the real revolution caused by cellular radio may not occur until nearer the end of the century, when prices of mobile radios will have fallen below the cost of laying a conventional local telephone line. Telecommunications authorities and manufacturers are looking at the possible impact mobile radio could have on the whole structure of the telephone network.

Even now cellular radio is likely to create a substantial new market for the electronics industry. The industry is also enthusiastic about applications from sending computer data to mobile terminals using the cellular system.

The leading companies providing equipment for cellular radio are predominantly Japanese (such as Oki, NEC and Matsushita) and American (Motorola, E. F. Johnson and General Electric). However, European companies such as LM Ericsson (Sweden), Mobira (Finland), Philips (Netherlands) and Siemens also have a strong presence.

Some analysts believe cellular radio will become so competitive and that equipment prices will fall so rapidly there will be a shake-out in the market. The Japanese appear well placed and have aggressive plans to produce cheap mobile telephones by the 1990s.

Drawbacks

Considerable attention has been paid to the potential of the portable telephone although the market will, for the time being, be mainly car telephones. However, companies are trying to improve the range and power of portable telephones. Oki is developing a wrist-watch telephone, which only recently would have been confined to science fiction.

But Mr Nigel Playford, manager of PA Technology's Communications group warns: "Hand-held terminals sound very attractive but suffer from major drawbacks. First, they are too large and second, the useful range is restricted to a small distance around antenna sites."

> **"People buying are those you would least expect . . . plumbers and construction site foremen . . . we found no doctors, politicians and no playboys."**

Several European countries are adopting their own technical standards to discourage imports but the Japanese may still be able to produce cheaper sets. Japanese companies are building mobile telephones with as many common components as possible, requiring only small changes to work on different standards.

Attempts by West Germany and France to opt for a new system which differs from the U.S., Nordic and Japanese standards—will mean considerable delays in introducing cellular radio in those countries. The emphasis is on a second generation, ditigal cellular system. (Britain opted for a version of the AMPS system developed by AT&T.

At the same time the European telephone authorities, through CEPT, are trying to agree on a pan-European system for the 1990s.

Cellular radio uses the airwaves more efficiently than the traditional radio telephone technology. It greatly increases the number of people who can use it in busy city centres, where problems of congestion normally occur. As the system can have many more subscribers, economie of scale for set manufacturers are improved, so radio telephones are made significantly cheaper.

The system works by using a number of low-power transmitters instead of one powerful transmitter covering a wide area. A country is divided into a honeycomb of small cells around low-powered transmitters, which can be as little as two miles across. Scarce frequencies can be re-used across the country—in fact the same frequencies can be used in cells a few miles apart.

The technique has become possible through microprocessor technology. Computers switch the radio from one frequency t another as it moves to a different cell.

The largest service in operation is the Nordic Mobile Telephone system which spans Sweden, Norway, Finland and Denmark and has more than 150,000 subscribers. Cellular radio has started to grow rapidly in the U.S. as commercial services begin in more cities after successful trials in Washington and Chicago.

Japan has cellular radio services in major cities such as Tokyo, Nagoya, Sapporo and Osaka. Cellular radio started in the UK at the beginning of the year in the London area and has been extended to Manchester and Birmingham.

France and West Germany will have to wait several years for cellular radio for political and technical reasons.

In spite of considerable enthusiasm for cellular radio by governments, telecommunication authorities and manufacturers, there is still a large question mark over the industry. No-one is certain that there is a mass market for mobile telephones.

Early signs, however, particularly in Scandinavia, have been favourable. Arthur D. Little, a U.S. consultancy, sees a potential demand for cellular radio in Europe of 2.6m to 3.8m sets by 1992. It has also revised its expectations for the U.S. market to as many as 4m to 6m mobile radios by 1992.

The Scandinavian experience shows that the mobile telephone has found a wider market than just executives. According to research by Arthur D. Little, there is a high proportion of users in industries like road haulage, construction, service and repairs, building services, and the car trade.

"The people buying it are those you would least expect," says Mr Malcolm Ross, a senior consultant at Arthur D. Little. "At first everyone assumed it would be people like doctors, dentists and lawyers. In fact, doctors are the last people who want to be easily contacted.

"The market is people with a real commercial need to be in touch, like plumbers and construction site foremen. In our survey we found no doctors, no politicians and no playboys," says Mr Ross.

Mr Gerry, Whent, chairman of Racal-Vodafone, one of the two competing cellular networks which have opened in Britain, is optimistic about the potential of cellular radio.

"We have watched the take-up rates in Scandinavia being raised time and time again. We see the market with people for whom time is money . . . . plumbers, vets, doctors, free-lance journalists and so on."

He believes the market will divide into three main groups each representing approximately one quarter of subscribers: large companies, self-employed and the rich.

"Every Porsche owner, every Rolls-Royce owner and half the Jaguar owners will have one."

Many others in the industry are less convinced that the well-off will be a good market. The one advantage of private users is that they tend to use the telephone less and therefore occupy the system less. However, when they do talk, it is usually for much longer than a business call.

Mr Peter Towle, managing director of Securicor which with British Telecom owns Cellnet, the other UK network, believes the market will change over the first year.

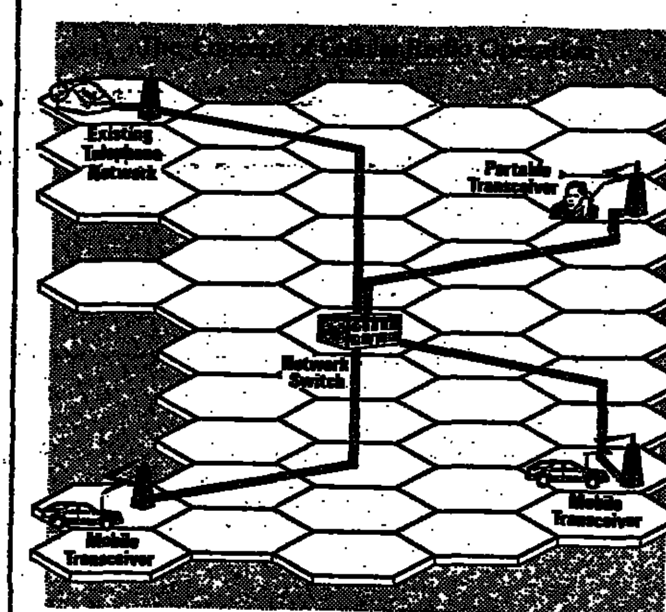
Euphoria

"It will start with top management, who will think they must have the service. The euphoria will have worn off by the summer and we will be at a second stage persuading companies it is a cost effective tool at the middle level. We will be looking at sales and service staff, and anyone who has to spend time on the road.

Demand in the UK has been steady, but not dramatic. The two systems which started in London in January—ahead of schedule—have only recently begun to expand to other big cities. Both networks have more than 2,000 subscribers about the level which had been expected. However Cellnet and Vodafone differ greatly on estimates of the potential size of the market.

Cellnet estimates there will be about 250,000 subscribers by 1990 while Vodafone says it will be between 400,000 and 500,000. The difference partly reflects Racal's greater optimism that technical problems when there are a large number of people on the system will be resolved. Like conventional mobile telephones, cellular will have problems of overcrowding of the airwaves in city areas.

More than 30 countries have either started a cellular system or have plans to do so. There appears to be little doubt that cellular is set to become an important part of the world's telecommunications business.



Vehicles and hand sets are connected via low-power transmitter/receivers in their cells through cables to a computer-controlled exchange onto other cells or the main telephone network. Channels are automatically switched when crossing cell boundaries

The selling of cellular

CONTINUED FROM PREVIOUS PAGE

tenders include Matsushita, Mitsubishi, Oki, NEC, Nihon Musen and Fujitsu. The U.S. companies include Motorola, GE-Storno, EF Johnson and ITT Corp. The leading European competitors are Mobira, a subsidiary of Nokia of Finland, LM Ericsson of Sweden and to a much lesser extent at the moment Phillips of the Netherlands and Siemens of West Germany.

Although many mobile communications manufacturers have their eyes firmly on the burgeoning cellular radio markets a number are also vying to capture a share of the growing number of orders for tactical radios. Just as microprocessor technology has made cellular radio possible so it has transformed the battlefield radio.

The growing awareness in the military of the perils and benefits of electronic warfare is convincing buyers to move to more secure radios with frequency hopping and other electronic counter measures. As most Nato countires still use conventional radio without any of the new techniques the potential for re-equipping whole armies is every salesman's dream.

Other areas of mobile communications are benefiting from advances in technology. The general rapid growth in telecommunications world-wide appears to be extending to mobile communications. The relatively small business of radiopaging has been growing rapidly in a number of countries, not least Britain which has been rather slow in this field.

Pagers which can store brief messages which are displayed on small alphanumeric displays—like those on a calculator—are being put to new uses. Services which give the owner details of exchange rate or stock market changes are already being sold and mark the beginning of a new form of information service.

Satellites

Even satellites may become a part of everyday mobile communications. While ships and oil rigs may be used to using the INMARSAT satellite for voice and data communications, the receiving dishes are heavy and expensive to ensure that they always point at the satellite in a pitching sea. Yet work is being down which will mean aircraft will be able to communicate using INMARSAT satellites which will mean passengers could use the telephone as they crossed the Atlantic.

To make the system practical and economic the dishes will have to be much lighter and cheaper than those used on ships. But work is also being done in Canada and the U.S. which would enable cars and even hikers in remote areas to use a satellite for communications or navigation.

Keeping in touch via an eye in the sky

Satellites

PETER MARSH

A RANGE of new satellite services under discussion in North America and Western Europe could give airline passengers access to telephones and enable haulage companies to keep a constant check on vehicle fleets.

The new services would allow transfer of messages between cars and offices separated by the width of a continent. They could also help air-traffic control and provide a navigation service for hikers.

Such possibilities arise from discussions led by the Federal Communications Commission in the U.S. and the European Space Agency, an 11-nation "club" based in Paris for research in space technologies.

The FCC has called for detailed proposals from U.S. industry for satellite services for mobile communications. The proposals, due by the end of this month, could be followed by a go-ahead by the end of the year, leading to an operational system in 1988.

Several companies, mainly little known outside the satellite industry but including Hughes Aircraft, have said they will file proposals. The U.S. mobile-communications satellite system would run in tandem with a service by Telesat, a Canadian company half owned by the Government.

The FCC hopes to encourage a consortium of U.S. companies to operate one or two satellites in partnership with Telesat, which plans to launch one craft. Optimistic projections show that by the early 1990s half a million road vehicles could tune into the system across North America. They would have small aerials that point automatically at satellites in stationary orbit 36,000 km above the equator.

The satellite system would also serve the airlines, giving passengers access to telephone calls and providing identification of aircraft to help in air-traffic control.

Airliners would be fitted with beacons that send radio signals via the satellites to earth stations, so controllers could monitor locations and identity. The network could serve as a valuable adjunct to radar control techniques.

In a similar way, trucks and vans could send coded messages to the satellites from U.S. and Canadian highways enabling owners to monitor locations without the drivers having to bother to telephone the office.

However, the system might be resented by drivers as a "spy in the sky" that keeps their bosses informed of every movement.

In one imaginative proposal, satellite beacons on the vehicles could be linked to sensors that monitor the goods being carried. A company that operates a fleet of, say, ice-cream vans could continually check the quality of the product while the vehicles are moving.

This could appeal to any carrier which transports perishable or chemically-reactive products, whether foodstuffs, bulk chemicals or nuclear wastes.

The network of U.S.-Canadian satellites could be used for range finding so hikers or vehicles in inhospitable parts of North America could tune in to find their position.

Plans for Western Europe are less advanced. There is less need, with towns and cities less closer together than in the U.S. and Canada, for mobile communications systems that use satellites.

The European Space Agency, however, is spending $15m on its Prosat mobile-communications project, in which researchers and industry are developing selective receivers and transmitters for ships, road vehicles and aircraft.

ESA is using the Marecs-A satellite in orbit above the Atlantic. From next year, about 50 vehicles will be fitted with antennae to participate in the experiments. Officials are talking to airlines and road-haulage companies across Europe about taking part in the tests.

Also collaborating will be Inmarsat, a body owned by 43 countries, that already runs a system of satellites for maritime communications. About 3,000 ships have links with their shore bases through Inmarsat's three main satellites. The satellites are Marecs A and Marecs B2, owned by ESA, and an Intelsat-5 vehicle.

Designers are "shrinking" the antennae so they can be fitted to cars and aeroplanes. ESA officials want to experiment with small aerials that may be simple 10 to 25 cm lengths of wire. The aim is to develop aerials that can be sold for $3,000 to $5,000.

Computer techniques have to be developed so equipment can pick up weak signals from space. For instance, a radio message could be sent in a special code which repeats sections of the signals that are too weak to be picked up in the original transmission.

Antennae

Among industrial groups participating in the Prosat studies and developing terminals are Elektrisk Bureau of Norway, GEC (Britain), Fiat (Italy), ISEL (Spain), Salt Electronics (Belgium) and SNEC (France).

Intelsat is likely to buy three more satellites worth $160m from a British Aerospace/Hughes Aircraft consortium to form the basis for a second-generation system due to enter orbit from 1988.

These satellites, like those in the first generation, will be relatively low-powered, using receiver / transmitter technology of the late 1970s and requiring relatively large aerials on ships using the system.

Most antennae are dishes about a metre in diameter costing about $30,000. The dishes, similar to those in satellite television reception, communicate with large antennae on land, which in turn feed signals into the ordinary, cable-based telecommunications network.

Racal Decca (Britain) and Laben (Italy) are working on new forms of earth station.

In the 1990s Inmarsat may capitalise on the development work by offering an operational mobile-communications service to road vehicles and aeroplanes, perhaps using a "third generation" of high-power satellites suited for relaying messages to small terminals.

The satellites in proposals for the Canadian/U.S. systems use relatively high power levels of several watts per speech or data channel. This is in the order of 100 times more power per channel than in conventional satellites used for point-to-point telecommunications links.

The West European mobile-satellite services use frequencies in the L-band around 1,500 MHz, reserved by international agreement for ship and aircraft communications services. The North American satellite systems will probably relay messages at about 800 MHz, in the same bands as terrestrial cellular radio services. The FCC is also examining whether to assign a second tranche of radio spectrum in the L-band for the new services.

The FCC says there is not enough frequency spectrum for more than one U.S. system. It wants interested U.S. companies to join forces by the end of the year to agree on a shared service with the Canadians.

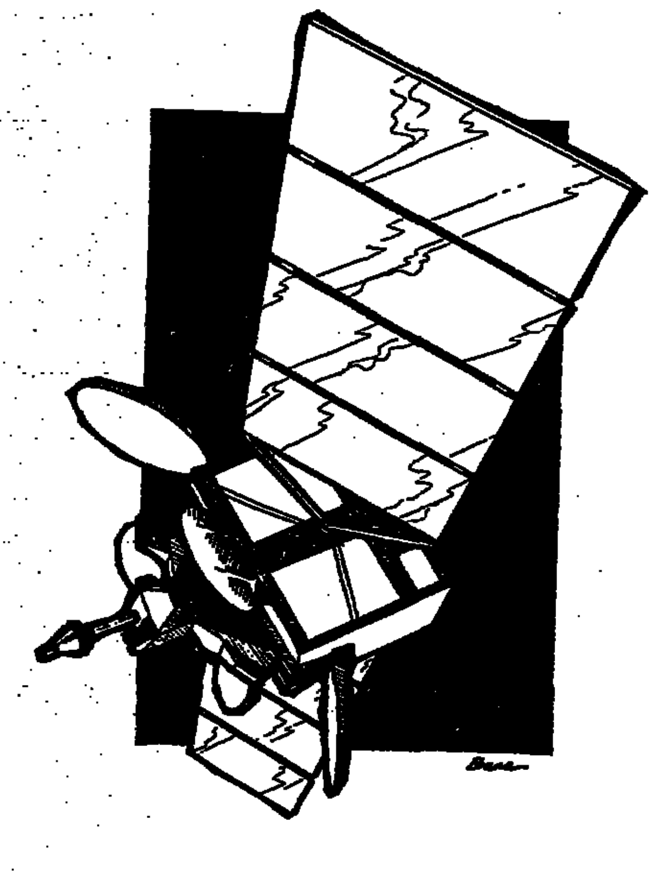
Besides Hughes, companies interested in starting a service are Mobilsat of King of Prussia, Pennsylvania; Skylink of Boulder, Colorado; Omninet (Los Angeles) and Transit Communications (Pasadena).

The costs of starting a North American service include about $200m for two or three satellites plus an unspecified sum for up to 1,000 or so base stations with which the mobile antennas would communicate before the signals are transferred into the ordinary land-based telecommunications network.

Skylink is basing its proposal on plans for small aerials on cars, which would cost only $1,000 to $3,000 by the early 1990s. Costs of using the system for voice messages would be 30 to 80 cents a minute compared with $10-$15 a minute for Inmarsat communications channels.

Aerials on the cars and trucks would probably steer automatically, tuning into control signals from the satellites and pointing in the direction of whichever of the two or three was nearest.

The equipment would not work well in towns and cities, where high buildings would block the satellite signals. Vehicles would have to switch to cellular-radio or other conventional services.



A Digital alpha-numeric (word) pager, showing how messages can be relayed via a screen

Bleeps giving way to words

Paging

RAYMOND SNODDY

THE DIRECTORS of the Air Call telecommunications group used to have the company's latest alpha-numeric radio pagers for transmitting urgent information of postponed meetings or emergencies. But they have had to give them up.

"The pressure from customers was so great and we cannot get enough of them," said Mr Walter Stevenson, Air Call's director for government and external relations.

Before returning temporarily to bleepers, Mr Stevenson found his pager useful because the message was relayed directly without the need to make a telephone call.

Air Call introduced their radio pager a year ago and more than 10,000 are now in use. The basic charge is £30 a month and the service is available in London and Aberdeen. It will be introduced in cities such as Birmingham and Manchester later this year.

Air Call believes that the market for radio paging is about to undergo rapid change.

It has supplied equipment and software for the new Reuters Pocketwatch service introduced last December. Pocketwatch is a pocket terminal which gives the latest updated foreign exhange rates and U.S. Federal Fund rate from the Monitor service. A selection of other Reuters information such as commodity prices will probably be added.

Between 200 and 300 Pocketwatches are already being used at a monthly rate of £60. Although the range is set to Greater London and around the M25, the service has been picked up in Northampton. Reuters says that during the recent volatility in currencies markets, Pocketwatch enabled dealers to leave the office who would not otherwise have been able to do so.

The next stage will be a radio pager which can carry similar information but which can be interrupted by personal messages. Mr Stevenson says a wider range of paging services could be made available if the Government increases the bandwidths available.

Services in which subscribers nominate lists of shares and are then alerted if there is any significant movement have been running in the U.S. for some time. "These services are evolving and getting more sophisticated," Mr Stevenson says.

There are probably about 300,000 "wide area" pagers being used in the UK, mostly simple bleepers to keep anyone from self-employed businessmen to doctors in touch. There are also believed to be another 200,000 simple on-site bleepers, which cover a limited area.

Radio pagers are still very much a business tool, but could develop in the long term as a more general consumer product.

Mr Peter Aknai, pager marketing manager at STC Telecommunications, says the market is growing by 25 per cent a year, with 5 per cent of that coming from replacements.

STC has been manufacturing radio pagers for four years. It believes that alpha-numeric pagers, although still a small slice of the market, will offer attractive growth potential, and plans to enter this market early next year.

Messages

Most British Telecom business involves its 250,000 radio bleepers but it launched the first national alpha-numeric service in January with its Message Master and says interest has been considerable. The country is divided into 40 zones and the subscription depends on how many zones the customer wants to cover. The basic charge for one zone is £75 a quarter plus an initial £10 fee.

Messages can be relayed silently onto the Message Master screen from abroad either by telex or by telephoning the radio paging central number. It can handle up to 70 characters per message and store 300 characters. One customer is a Tilbury shipping agent who receives docking times and shipping instructions.

BT and Air Call face competition from Digital Paging Systems and Inter City Paging, which both have word paging.

In addition to tone, voice, number and word paging, Digital has introduced a service for cellular radio users which enables unanswered calls to be diverted to the word paging service.

Digital is also the carrier for a service by Futures Pager which aims to provide updates on commodity prices, foreign exchange and financial news.

The word pagers either display the information silently or mark updates by bleeping. There are even pagers which draw attention to a message by vibrating, so that meetings will not be disturbed.

Earlier this month BT announced it was making radio bleepers available free to transplant patients, so they can be alerted quickly by hospitals when a suitable organ becomes available.

Slow move to divide TV's handsome gift

Private radio

PETER MARSH

OFFICIALS IN the radio regulatory section of the Department of Trade and Industry were presented with a handsome gift to mark the start of 1985. A large chunk of the radio spectrum left vacant by the shut-down of 405-line TV services in the VHF band was handed over for mobile radio services.

The DTI officials had the chance to give slices of this part of the spectrum to about 15,000 organisations in Britain that have licences for mobile radio.

Some 300,000 have two-way radios, excluding citizens' band users and police and emergency authorities. The number has been growing at about 10 per cent per annum for several years.

The newly-available spectrum, in what is called Band Three (174-225 MHz), can accommodate 1,000 to 1,500 two-way radio channels, roughly doubling the amount of frequency space allocated to mobile radio.

Rather like a pools winner who has suddenly struck lucky, the DTI could have handed out everything in one burst, but it decided to conserve resources by periodically allocating small sections of the frequency band.

This part of the spectrum has to accommodate new uses for mobile radio for the next couple of decades, so officials have not rushed into allocations. They still have to make several key decisions about use.

Two broad courses of action are under review. First, the department is discussing whether to invite applications in the next few months for one or two national radio networks to use specific frequency bands for mobile users.

In such a network, a driver in Birmingham for instance, would be able to radio his central office in, say, London or Newcastle. The connection initially would be via a commonly-owned aerial, probably on top of a high building, in Birmingham, then through a series of radio "hops" using other aerials or by leased telephone lines to the central office.

A start would be expected in about two years and Air Call, one of Britain's leading suppliers of mobile-radio services, has already said it would like to operate such a system.

In the second broad initiative, DTI officials appear likely to follow the policy of the past couple of years by licensing shared trunking systems in the new portions of the radio spectrum that become available.

In such systems several hundred mobile-radio users share perhaps five frequency channels. This is in contrast to conventional common base station systems, in which the service company has to group the demands of customers into one channel.

Trunking networks use computers to allocate users according to which out of several channels is available at the time—much as a small number of telephone lines are shared among thousands of callers via exchanges.

The result is more efficient use of the radio spectrum. According to Relcom, part of the Reliance group which operates a trunked radio system in London, customers have to wait less time for a channel and so obtain a better service.

Relcom shares three radio channels among 320 users representing 57 customers. They are companies in fields such as car-repair and plant-hire.

Relcom says callers have to wait for no more than 20 seconds for a free channel. A single channel shared by 100 users can often mean waiting times of two minutes, increasing to 20 minutes at busy times.

Relcom is one of four organisations awarded licences two years ago to run trunking systems in London in a section of the UHF band (around 440 MHz). The others were Storno, Pye, and a consortium of Motorola and Audiolink.

These were the first licences awarded for large trunking systems in Britain. The DTI has since handed out others for both the UHF and VHF bands and for other cities and is likely to encourage more trunked systems in band three.

A holder of a DTI licence, which costs about £8 a year for each vehicle with a radio set, is usually an organisation that wants to maintain contact with a number of cars, lorries or buses but which has no need to connect the vehicles to the public telephone network.

Organisations that want this extra link can use the cellular radio services that started this year. These have a parcel of frequencies high in the UHF band around 900 MHz.

The second option is to subscribe to a common-base station service that permits some interconnection to the network. About 500 common-base station services in Britain accommodate 20,000 vehicles.

A small proportion offer interconnection, under a special DTI licence. Officials are not keen on these because telephone callers calls generally speak for a relatively long time—an average of three minutes—blocking a frequency channel for others. Ordinary radio communications, are normally marked by short, sharp exchanges that last an average of about 20 seconds.

Companies generally pay for mobile radio services in one of two ways. Some pay for their radios and obtain a DTI licence for a part of the spectrum. They may share with several dozen other users, particularly in the larger cities where frequency spectrum is in high demand.

Others pay a company that operates a common base station, either on the principle of single channels or the trunked approach.

Charges, which include rental of equipment and call fees, range from £7.50 to £30 a week for each radio set, depending on the part of the country in which the service operates and whether it permits interconnection to the telephone system.

Main mobile radio users

	Number of sets		Number of sets
Taxis, car hire	50,314	Surveyors	5,776
Electricity generating boards	19,657	Transport/traffic services (eg repair of traffic lights)	5,420
Common base stations (shared radio services)	18,718	Building contractors	4,295
Gas boards	16,073	Corporation transport	4,148
Water authorities	15,509	Motoring organisations	4,093
Message handling	13,106	Plant hire	4,061
Passenger transport	9,911	Haulage contractors	3,151
Telecommunications industry	8,006	Motor cycle couriers	3,036
Security companies	7,779	Garages, breakdown services	2,972
Agriculture	7,311	Civil engineering	2,256
Radio, TV, domestic appliance repair	6,039	Private mobile radio hire services	2,171
Post Office	6,000		

Source: Department of Trade and Industry.

A Marconi Scimitar set on the battlefield

Hopping about to avoid enemy ears

Tactical radio

ADRIAN MORANT

A GROWING proportion of defence spending is being directed towards increasingly sophisticated communications equipment. It is difficult to ascertain the size of this spending because buyers insist on secrecy, but the world market—excluding the U.S., France and the Comecon countries—for tactical radio equipment is believed to be about £250m to £300m.

Opportunities are also widening, as indicated by the recently reported deal won by Marconi with China for high-frequency naval radio equipment worth some £7m.

The aim is no longer just being able to communicate with friendly parties. With the increasing emphasis on electronic warfare the aims become more stringent. The objectives are to try to prevent transmissions being observed by the enemy; to ensure that, if detected, the enemy is able to obtain the least amount of intelligence; and to maximise the chances that communications traffic can get through under all circumstances.

When advanced radio surveillance techniques enabled radio transmitters to be detected quickly, it was possible to locate them using direction-finding techniques, to glean information from the signals and to jam them. With the more scientific military approach we are now in the "C3 era"—Command. Control and Communications—where ground and airborne forces and their weaponry are closely co-ordinated.

Tactical radio relies on advanced microchip technology. One widely used technique is "frequency-hopping" in which a transmitter changes rapidly from channel to channel following a predetermined sequence. A friendly party, knowing the sequence that is being followed, can get into step and extract the message, but it is difficult for others to intercept.

Integrated

If the enemy is unable to intercept a signal it is unable to extract information, use direction finding equipment to locate the transmitter, or jam signals.

The first of the new generation frequency hopping radios come from Racal in the UK and Israel's Tadiran. Racal has received orders totalling £65m for its Jaguar (JAmming GUAarded Radios) tactical radios, including £20m from Oman. It has also been sold in the U.S. Other companies in the field include Rockwell Collins and Harris in the U.S., Thomson CSF (France), Philips companies MBLE (Belgium) and MEL (UK), as well as Plessey and Marconi.

The military needs to communicate between a great number of points, so equipment is purchased with the intention of being deployed in an integrated fashion. Manpacks carried by troops on foot, vehicle-mounted sets and those at battalian headquarters and elsewhere are integrated into a combat net radio to satisfy the needs of the highly mobile modern battlefield.

Plessey has done well with its System 400 range of integrated high frequency and very high frequency radios. Since it won the initial Raven contract in Australia worth A$7m (£5m), it has received a number of further orders the latest of which is worth just over £7m. The total value of the Raven project, including production phases yet to be approved, could be as much as £216m.

Plessey is exploring other opportunities for its equipment in the Far East and elsewhere. It will be competing with the Scimitar system from Marconi, which has had successes in Portugal and the Middle East and is pursuing other opportunities.

Sophisticated

As large as these sums are, they pall into insignificance against the American Singcars (SINGle Channel Ground and Airborne Radio System) project. This programme for re-equipping the U.S. armed forces could be worth as much as $5,000m.

Increasingly sophisticated military command structures and large forces necessitate a growing amount of communications. There is a vast amount of voice, telegraph, data and facsimile traffic that has to be handled in much the same way as is caried out by a civilian business. One main difference, however, is that military subscribers are frequently on the move. For this reason a number of trunk communication networks have evolved such at Rita (France and Belgium). Deltamobile (Norway) and Ptarmigan in the UK.

These enable calls to be routed irrespective of where subscribers are located and whether, under wartime conditions, parts of a network may be out of action. They are fault-tolerant digital networks, modular in concept, using a mixture of transmission media including cable and fibre optics; radio and microwave links.

Plessey Defence Systems is the Ptarmigan prime contractor and has received contracts worth more than £200m. Among the subcontractors are STC, which has provided transmission equipment including fibre optics, and Marconi.

Siemens AEG-Telefunken of West Germany and Marconi developed the Trifid UHF radio relay equipment which will form part of the transmission network.

When 30 vehicle-borne Ptarmigan installations were handed over to the First Armoured Division in Germany, Brig John Almonds, commander of the School of Signals Blandford, Dorset, said this was the most sophisticated military communications system in the world.

The concept of fault tolerance is also of benefit in the civil field. STK (Standard Telefon of Kabelfabrik), one of the main companies involved in the Deltamobile project has provided a fault tolerant network spanning the country for the Norwegian Broadcast Company, where the nodes are interconnected mainly by 2Mbit/s radio links.

Technical advances have turned the 20-year-old idea of cellular radio into working systems

Channelling a way out of tight bands

Technology

GEOFFREY CHARLISH

THE BUSINESS executive might wonder why when television pictures are coming from outer space and the computer is working information miracles, he cannot communicate by radio with anyone, anywhere—preferably with a science fiction wristwatch device.

The fact is that, unlike telephone lines, radio systems cannot be duplicated indefinitely. New phone subscribers can be added to networks by running new lines to premises and activating spare switching capacity in the local exchange.

New radio channels cannot be added to wavebands in the same way. All those wanting to communicate have to use the same medium—an allocated waveband in the frequency spectrum — and within the operational area of transmitters. Once the band is full, that is the end of the matter.

Speech channels in mobile radio systems are ranged side by side across the band, each occupying a frequency. The number available is fixed, just as the medium waveband on a domestic radio — no more stations can be crammed in and many already overlap and interfere.

Ways have been devised by engineers to compress each channel into a smaller bandspace. For example, modern tuning circuits produce sharper cut-off between channels allowing them to be closer in frequency before interfering.

Limitation

Operating frequencies have also been pushed up over the past 30 years or so to 900 MHz, and higher frequencies accommodate more channels. Old television bands might be released, like band one in the UK.

But these are palliatives: all the new channels are remorselessly consumed.

This limitation of channels coupled with monopoly ownership by state-owned bodies in Europe has lead to restricted, expensive services and long subscriber waiting lists.

The answer to all this has been known since 1960, when Bell Laboratories in the U.S. mooted the idea of cellular radio. But 20 years had to elapse before the technology was available to implement it.

In a conventional mobile radio system, the service area is covered by a single, high-power transmitter covering distances of 15 to 20 miles. The base transmitter and receiver aerials are usually sited on a tall building or hill.

This is because the high or ultra-high frequencies (VHF or UHF) travel in straight lines and signals from low aerials can be blocked by large buildings, hills and the earth itself.

Such a system might be allocated 50 channels. But because such a powerful transmitter is used from a high place, the signals can go farther than expected, depending on the weather. This means the channels cannot be used again within perhaps 100 miles, for fear of interference.

The Bell answer allows those frequencies to be used over and over again. The service area is divided into "cells," often depicted on paper as hexagons because they fit together nicely. Each cell might be only a mile or two across and at its centre is a low-power transmitter, just able to cover the small area, and a base station receiver.

The channels used in a cell on one side of a town can therefore be used again on the other side, as the signals from one cannot reach the other because of the low power.

In this way, the number of channels available can be increased many times. They can be further increased by using aerials with 60 degree segments, which can selectively point signals in any of six directions to pick out a vehicle.

This keeps signals out of the other 300 degrees and, on a statistical basis, increases the number of available channels by reducing mutual interference.

Reducing the size of the cells and the power of transmitters still further means more channel re-use becomes possible, at even shorter distances. In theory, city-centre radio traffic capacity can be pushed up almost indefinitely by using increasing numbers of closely spaced cells.

How are mobile users reached from the fixed phone network and what happens when a vehicle moves from one cell to another?

Cells are connected by leased telephone line or microwave to a controlling computer which forms a special kind of electronic exchange in an area. This in turn is linked to the normal telephone network.

The mobile user keys in a number and his equipment sends it to the cell base over a control channel which all the mobiles can permanently use. The cell base-station relays the number to the computerised exchange.

This first allocates a free radio speech channel and tells the mobile (via the control channel) to tune to it. Secondly, it dials out the number into the public network and connects the called subscriber over the newly allocated radio speech channel.

Someone in the public network calling a mobile dials a prefix code (to get into the cellular system) and the mobile's number. The call comes into the cellular system's computer/exchange which then pages all the mobiles over a control channel frequency. They all receive the data and compare the number with their own but only the matching one responds and is given a speech channel.

When a vehicle moves from one cell to another, the base station receiver in the new cell starts to get a stronger signal than the old one. A scanning receiver in each cell is constantly monitoring the signal strengths from all the cell's mobiles; the central computer makes the decision.

Prospects

If a call is in progress, the mobile is allocated a new frequency from the new cell's allocation and starts to work with the new cell's base station. The process, called hand-off, usually takes less than 0.5 sec and subscribers are unaware of it.

Cellular telephones are much like ordinary telephones except that, for safety's sake, the hand set does not have to be taken off hook for dialling.

Most vehicle equipment can also continually dial an engaged number until it answers. Or it can call a long or frequently used number via a single key.

Some have "loudspeaking," obviating handset use and allowing everyone in the car to join in.

The prospects for wristwatch sets are remote because of limits to battery technology, the need to transmit enough power to reach the base station receiver, and the time needed between battery charges.

If that time was 12 hours (for a nominal day's use), then present battery energy/size ratios and the radiated power requirements for likely cell sizes imply that the batteries will continue to account for much of hand-held sets' size and weight.

But contenders are appearing. Excell Communications, a Manchester company, recently launched its Futurephone, weighing less than 1lb and measuring only 7in x 3in x 1.25in. With a standby battery pack and charger, the price is £1,990. It is the only British-made hand-held unit so far. The market has been dominated by Motorola, which pioneered the technology from the late 1970s.

First off the mark with data transmission in the cellular network is Racal Vodafone, which has announced an add-on unit for vehicle radiotelephones that allows computers, telex, electronic mailboxes and viewdata services to be reached from the car.

Data errors can arise through small hand-off breaks in transmission and where there is fading due to building shadows, hills and so on. Racal says its cellular data link control (CDLC) is "an error-free universal protocol based on established standards." Terminal apparatus like personal computers and printers can be connected directly to the new data interface, named Vodata.

Cellular technology is in the limelight because the two UK systems, Cellnet and Vodafone, have just started. But they are only the public radiotelephone manifestation of mobile radio. Private systems, often simplex (one speaker at a time) still account for most of the equipment sold. They continue to be developed and aimed at service and sales fleets of vehicles.

Research

A relatively new aspect, trunking, is the subject of four pilot projects in London by Relcom Communications, Storno, Pye Telecoms and Motorola/Audiolink.

Instead of private user groups each having a fixed channel frequency which it can never fully utilise, a number of channels is allocated to the area and each group is assigned one by computer when the need arises. In theory, the allocated channels can be kept fully occupied, implying more users, or fewer channels.

Other mobile radio ideas are being looked at. For example, a £7.5m, five-year research project, mainly funded by the Alvey Directorate, the national information technology assistance group, will re-examine the prospect of providing information to vehicles to ease traffic flow problems. Racal, Acorn, Istel the RAC and five universities are involved in the study.

The idea was suggested seven years ago when the BBC and the Transport and Road Research Laboratory planned to use road-side transmitters for the purpose, but money and frequency allocations proved difficult.

The Alvey "demonstrator" project will use the cellular network and base sites. The aim is to bring updated accident, weather and similar data to drivers' attention within 15 minutes. It is hoped that mass-produced in-car equipment will not cost much more than an ordinary receiver.

An intelligent, knowledge-based computer system will be set up to gather the data from information suppliers and generate messages for transmission in appropriate areas at the right time.

Route selection by a central computer is planned, each driver's needs being fed into his car terminal's memory for replay as needed. More costly systems might use map displays. The equipment is likely to be developed as several boxes so users will buy only what they need.

Aircraft and trains are likely future candidates for the radiotelephone.

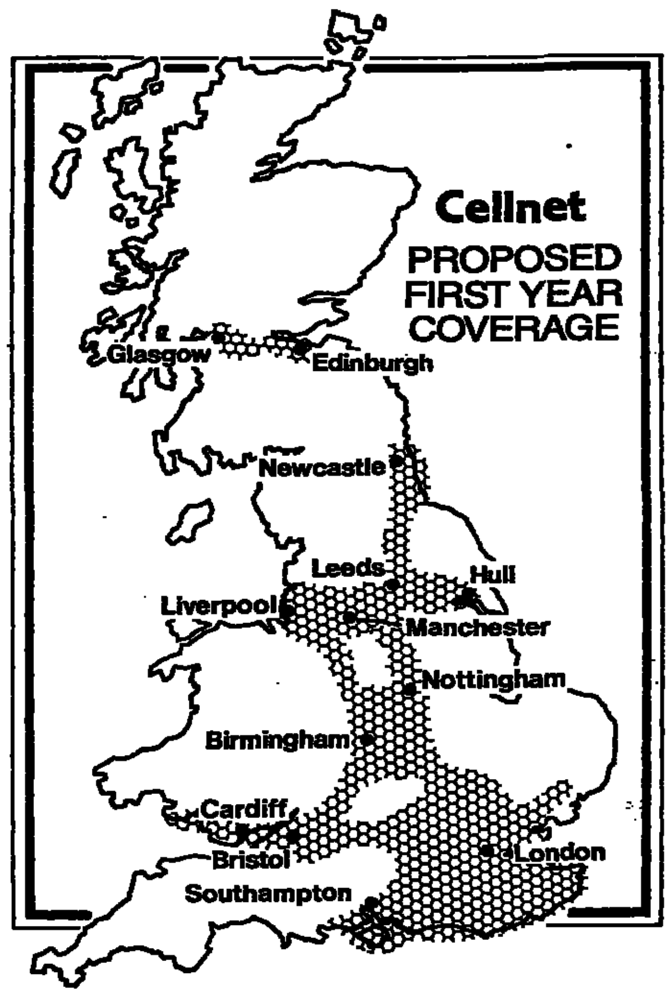
Trains provide few additional problems apart from payment to cover public call-box use. British Rail is looking at the idea and one phone is in service out of Paddington. Such services are available in Japan.

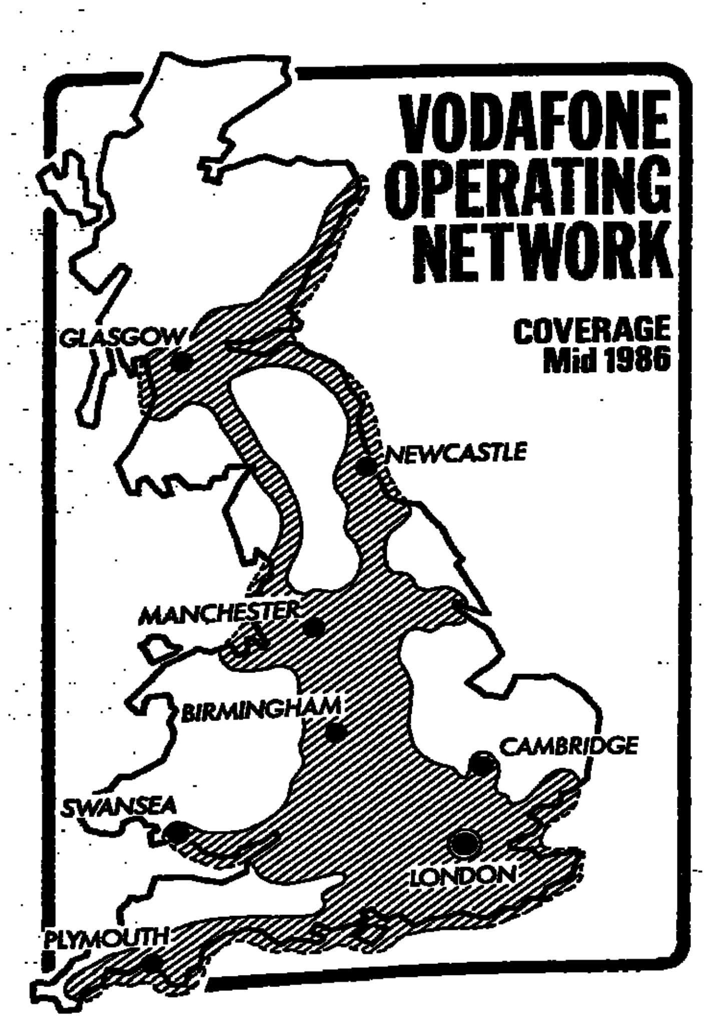
The potential popularity of the personal hand-held portable might prove a key factor, although use within the radio-screening box of a train coach could be difficult.

Telephoning from aircraft has already been on trial in the U.S. by Airfone, an Illinois company. It is claimed that 600 calls a day are being made from seven Northwest Orient aircraft. But the Federal Communications Commission thinks the service is too much of a luxury and unless lobbying prevails will terminate Airfone's licence at the end of 1985.

Air-to-ground station VHF/UHF communications may be overtaken before long by satellites, since Inmarsat and other bodies are taking an interest as well as the airlines themselves.

But fitting the necessary steerable dish, even on a 747, is something of a problem. Only much higher power satellites, reducing dish sizes, seem likely to provide the answer.





On this and the following pages Financial Times writers look at the leading markets around the world

Long overdue changes will help relieve problems

The UK

JASON CRISP

MOBILE communications in Britain is going thr~h a considerable shake-up because of changes in technology, regulation and the availability of new radio frequencies. Many of the changes are long overdue and will help relieve some problems, according to many in the industry.

Compared with other industrialised countries, the UK is a low user of mobile communications, largely because of restrictive regulation.

The main changes which are *underway in the UK are:*

- The launch of two national competing cellular radio systems.
- The proposed release of Bands One and Three for mobile radio following the ending of black and white television broadcasts on 405 lines at the beginning of this year.
- An inquiry into the practicalities of charging for use of the radio spectrum.
- A considerable push to expand Britain's relatively underdeveloped radiopaging systems.

Cellular radio started in Britain at the beginning of January, several months ahead of schedule and only two years from the date the Government *first gave the green light. The* speed it was introduced was a result of competition between the two rival networks and the fact that the country opted for a system based on proven U.S.-developed technology.

Two groups have been given licences to provide a national service and each is planning to invest about £200m by the end of the decade. The Vodafone network is being run by Racal-Millicom. This is a joint venture between Racal, the British defence electronics group, and Millicom, a small U.S. communications group, with an additional investment by Hambros Advanced Technology Trust. Racal has the largest stake.

The competing system, Cellnet, is a joint venture between British Telecom and Securicor, the security group which has also provided mobile telephones for some years.

The speed at which the two companies have introduced a working system has meant substantial parts of the equipment have had to be imported. The exchanges are made by Motorola and LM Ericsson, and most of the mobile telephones come from NEC, Matsushita and Motorola.

Racal and Motorola plan to make mobile radios in the UK. Pye, a subsidiary of Philips, the Dutch electronics group, which has been a big manufacturer of mobile telephone equipment, does not expect to make cellular equipment until next year.

One small British company, Excell Communications of Altrincham, Cheshire, will launch a handheld cellular radio costing £1,990 plus VAT.

Most activity in the UK has been in retailing. Each system has approved outlets offering cellular services, including equipment provision, connection to the network and billing. This has attracted traditional suppliers of mobile telephones *like Aircall, British Telecom's* mobile phone division, and the Carphone Company. Companies new to the market range from the Automobile Association to *Granada.*

Companies have also been set up to get a share of what they believe will be a fast-growing market. Cellcom, supplying Cellnet services, was started in January with backing from Pruventure, the venture capital arm of Prudential, Fleet Holdings and the St James's Venture Capital Fund run by Charterhouse J. Rothschild.

Mr Dennis Raeburn, chief executive of Cellcom, said: "There was a clear need for an independent, highly specialised and professionally managed company in this new field. Since the start of the Cellnet network we have already begun *to make an impact.*"

There may be already too many companies trying to sell cellular services, and several may withdraw if they get too small a share of the market.

Well-established companies in mobile communications are *looking beyond* cellular to the possibilities of private mobile radio systems.

Private mobile radio in the UK has been severely hampered by the lack of available spectrum and its inefficient use and administration. Last year the Government published a green paper on the future use of Bands One and Three which had been used for 405-line TV broadcasting. It said frequencies will be used for mobile radio, and a senior civil servant described this as a crock of gold.

He added: "It is also the only crock of gold likely to be available in the foreseeable future."

The Government has taken a long time to decide how the frequencies should be used. Earlier this year it rejected proposals from Aircall for 300 channels to form a national network connected to the public telephone system. The Government did not want a system which could compete with the *cellular networks* which have been granted a duopoly until 1990.

The Government has said it favours the use of trunking in *Band Three because it is much* more efficient, but it appears that no decision will be taken until a study into the possibilities of charging for the use of *radio spectrum* has been completed.

In mid-March Mr Geoffrey Pattie, Information Technology Minister, appointed management consultants CSP International to carry out a feasability study on the pricing of the radio spectrum. Mr Pattie said the Government wanted to look at the issue for two reasons.

"The first *is* whether there are benefits from bringing market forces and the price mechanism to the area of spectrum management. The second is whether this is technically and administratively feasible within a regulatory framework."

The industry has mixed feelings about the proposition and there is a suspicion that it is another excuse for making the promised frequencies available. In the meantime the country still suffers from what the green paper described as an acute shortage of spectrum for mobile radio.

Cross-border plan shelved

France

DAVID MARSH

THE FRENCH mobile telephone sector has been in a state of flux over the past few months following the shelving of a joint Franco-German plan *to upgrade the country's radio*phone network by 1986.

Details of a replacement system, to set up a network based on digital technology starting from the end of the decade are still being worked out by the Bonn and Paris governments and a string of industrialists from the two sides.

Meanwhile, Matra, the state controlled electronics conglomerate, is preparing to launch later this year its Radiocom 2000 system, designed to give France what subscribers have been urging for several years—a fully nationwide network.

The French radiotelephone scene comprises three systems —one produced by Matra, the other two by Thomson—with a number of inconveniences.

About 10,000 vehicles are fitted with phones, but coverage is split into ten regions, roughly corresponding to the main population centres. Cars leaving one zone can no longer be contacted by the base transmitting equipment — which limits the practicable coverage of the system to relatively short distances.

The new Radiocom system, under preparation since 1981, is a cellular network, to be operated like the others by the public communications body. For the first time it will allow communication between mobile units in different areas.

Using the *400 Mhz* band, the system will be built around a network of 500 repeaters which should enable the linking up of all but the most isolated mountain *regions of the* interior.

The system will build up to 200,000 users, half public and half private subscribers. The *former will have access to the* French and international network. The latter, consisting of telephones in taxis, delivery vans, or public service vehicles, *will be given the opportunity for* permanent contact within the fleet or sub-fleet.

There is still some doubt over the cost of the telephone terminals, as well as over the range of companies which will be permitted to construct them along with Matra and Thomson.

Irritated

The original intention of the French telecommunications ministry was to create a more sophisticated 900 Mhz system as quickly as possible using a standard developed by CIT Alcatel and Philips, known as the MATS-E.

The French and West German governments intended a MATS-E network built by companies in the two countries to enter service from next year. France at one stage held out *hopes of Britain adopting* the MATS-E system for its mobile phone system. The Government as well as the Compagnie Generale d'Electricité group were *irritated* when Britain chose the U.S.-based TACS system for its network.

The Franco-German plans were delivered a severe setback when the countries decided that the original basis of the accord was outmoded. Since the telephone systems in the two countries by the end of the decade will be completely based on *digital* technology, the decision to set up the cellular network as an analogue system seemed out of step with technical reality.

This, at least, was *the justifi*cation by the Bundespost for returning to the drawing board.

Another change which under*mined the original accord was* the sweeping reorganisation of the French electronics sector, with the grouping of Thomson and CIT Alcatel into a single *public telephone body.*

Partly because of rivalries and misunderstandings between Siemens, the intended German partner and CIT Alcatel, *Thomson and Philips, the new* Alcatel-Thomson grouping has chosen Standard Elektrik Lorenz, the German subsidiary of International Telephone and Telegraph, as its partner.

The partnership will also involve the private French Société Anonyme de Telecommunications and AEG Telefunken. The decision downgrades the plans for collaboration with Philips over the MATS-E system.

Ironicaly, it could allow Britain a chance to enter the French market by offering in a few years' time an intermediate cellular network based on 900 Mhz technology to bridge the gap between the Radiocom 2000 project and the planned fully digital network.

Station equipment for the Nordic mobile telephone system

Low costs bring services within reach of private users

A standard for the world

Scandinavia

DAVID BROWN

THE NORDIC Mobile Telephone Network has become the standard for the world, according to one Scandinavian public telecommunications official.

The 3½-year-old network is the world's largest and quickest-growing mobile system, covering Denmark, Finland, Norway, and Sweden. With 154,000 subscribers, it is expanding at a rate of about 50 per cent a year, significantly exceeding original expectations.

The subscription list is climbing at nearly 1,400 customers a week. To keep pace with demand, the NMT has been forced into extensive cell splitting. Stockholm, which had five cells last year, now boasts 30 and plans to add a further 10 by the end of the year.

NMT offers a secretarial service to forward calls, take messages, book hotel accommodations and send telexes.

Terminals are marketed by about 20 companies and range in cost between SKr 15,000 and SKr 20,000 (£1,400-£1,900). The annual subscription charge has remained fixed in the face of an annual inflation rate of some 8 per cent—and the average yearly bill for subscriptions and calls comes to about SKr 4,700.

With these relatively low costs, the make-up of Scandinavia's mobile telephone users is changing. The number of transport, factory and private subscribers has climbed to 45 per cent of the total, with business users accounting for the rest. Subscribers in industry are increasingly middle-level staff. The number of top executive users remains stable.

Scandinavia is perhaps the only region which has succeeded in bringing mobile communications within reach of the average telephone user.

Although Sweden's L. M. Ericsson telecommunications group remains a major and, in the eyes of the public communications body Televerket, highly reliable equipment supplier, it has come under increased competitive pressure in Scandinavia.

Ericsson's share of initial orders for the 99 MHz system to be installed next year in parallel with the existing network fell to 25 per cent. This compares with its 50 per cent share of earlier contracts for the existing 450MHz system.

Officials say the group has fallen behind in its capability to deliver base stations and pagers on time, and by its own admission Ericsson is well behind demand in the production of mobile terminals.

The strong Nordic market has provided an important base for expansion abroad. Ericsson has some 430,000 lines of subscriber capacity installed or on order in 16 countries.

Problems

The group is prime supplier of base stations and switches to Racal-Vodafone in the UK. It has also won strategically important orders in the U.S. It hopes to capture 30 per cent of the $200m a year market in private non-wire business in the U.S., an important target market. However, Ericsson is stretched thin in attempting to keep pace with demand in a number of markets at once.

The group's problems with components suppliers, and over-rapid growth ambitions forced a sharp drop in earnings last year. Profits fell by 10.7 per cent to SKr 1.57bn on sales of SKr 29.38bn.

Two other base station suppliers have emerged for the 450 MHz system: Mobira, a subsidiary of Nokia of Finland, and Radio Systems of Sweden.

Sweden's Televerket, meanwhile, has plans to further expand its other mobile services, which include an advanced nationwide electronic paging system with some 40,000 subscribers. The subscriber can receive the telephone number of the person wishing to contact him—beamed over FM subcarrier channels—on a digital numeric display.

A cheaper "minicall" service is being introduced this year with a simpler beeper capability, transmitted over the 150 MHz frequency. The introduction has been held up because of hitches in delivery of equipment and software, but officials remain hopeful it will be popular in the general consumer market.

Late next year Televerket plans to press ahead with its Mobitex trunking system, which will transmit data, videotext, telex and telefax from a single mobile unit.

The Televerket, in addition to its mobile telephone system, operates a number of closed radio telephone networks with some 150,000 subscribers.

Monopoly protests over innovative telephone system force ministers to back down

Tangled up in a cordless controversy

West Germany

JOHN DAVIES

THE CORDLESS telephone launched in West Germany as an innovative gadget allowing limited mobility, has proved an embarrassment for the Bundespost and for Dr. Christian Schwarz-Schilling, its minister.

It became the centre of political controversy and the skirmishing has given encouragement to advocates of a more liberal telecommunications policy.

Dr Schwarz-Schilling predicted a runaway success for the cordless telephone, dubbed Sinus late last year. It enables the user to telephone while moving within a radius of 200 metres of a telephone handset, by using a radio link in the 900 MHz frequency range.

But the EEC Commission in Brussels and the Economics Ministry in Bonn voiced concern about inclusion of the cordless telephone in the Bundespost's telecommunications monopoly.

Dr Martin Bangemann, the Economics Minister and leader of the minority Free Democratic Party in the government coalition, was keen to use the cordless telephone issue to battle for liberalisation.

Dr Schwarz-Schilling yielded, with an agreement that extension of the telecommunications monopoly to the cordless telephone was not intended.

A formal regulation will make it clear that cordless telephones offered by commercial companies could be linked to any handset, both the primary one and extensions. Under existing regulations, the Bundespost says private cordless telephones could already be linked to extension.

The Bundespost ordered its first batch of 25,000 Sinus sets from four manufacturers — 7,500 each from Hagenuk and Stabo and 5,000 each from Siemens and AEG and some further orders have been placed. The sets ordered at DM 980 each, will be rented to users and the Bundespost expects a rapidly growing market.

Technical development has presented some hitches, however, including doubts about security. At one stage the Bundespost returned sets to be re-examined.

Asian and U.S. sets have been reaching West Germany but the Government refuses to permit their use on the grounds that they can easily be "bugged."

The Bundespost is in another area of controversy with the decision of France and West Germany to postpone plans for a joint car cellular radio project.

This became entangled in industrial and political rivalries as leading French and West German companies joined to submit tenders.

It was decided to postpone the project as it should be based on digital rather than analogue technology and that this would require some further lengthy preparation.

Digital

The Franco-German project for a common system in the 900 MHz frequency range was to have become operational by about 1986. The joint digital technology project is envisaged for about 1988/89 or later. The postponement could give some companies time to refine their technological capabilities.

A consortium of Standard Elektrik Lorenz (a subsidiary of IT & T of the U.S.) and AEG of West Germany with Societe Anonyme de Telecommunications of France, caused a stir by submitting a digital technology proposal for the original scheme. This consortium was joined recently by the state-owned Alcatel-Thomson group of France, which decided to foresake Siemens, its earlier partner.

Siemens is pressing on with the C-network car telephone system ordered by the Bundespost for West Germany some years ago. Trials will start in the autumn and the C-network is expected to be introduced next year.

This system, which has a cellular network structure, is designed to cater for 100,000 subscribers. Until a later digital system comes into operation, it would allow a fairly sizable increase in car telephone usage in West Germany.

Little more than 20,000 car telephones are in operation in the country because of technical limitations. A future digital technology cellular radio system offers as many as 1m car telephones, with the price to motorists at only a fraction of the present cost.

Car telephones are seen as a market with good potential in West Germany, assuming the price is right. Market research has suggested that at least one motorist out of 10 would buy one, provided it is no dearer than a good quality car radio.

With saturation point near in traditional telephone installations, the Bundespost is giving higher priority to mobile varieties of telephone.

FDP leader Martin Bangemann used the telephone issue to battle for liberalisation

Testing the promise of revolution

Cities with Cellular Radio in Service

Atlanta: BellSouth Mobility, Communications Industries.

Baltimore-Washington: Bell Atlantic, Cellular One, Continental Telecom, Metromedia, Washington Post.

Buffalo: NYNEX, Western Union.

Chicago: Ameritech Mobile Communications, Metromedia.

Cleveland: GTE Mobilnet, MCI Communications.

Cincinnati: Ameritech Mobile Communications, Western Union.

Dallas-Forth Worth: LIN Broadcasting, Southwestern Bell Mobile Systems.

Denver-Boulder: MCI Communications, U.S. West's Newvector Communications.

Detroit-Ann Arbor: Detroit Cellular Telephone, Ameritech Mobile Communications.

Honolulu: GTE Mobilnet.

Houston: LIN Broadcasting, GTE Mobilnet.

Indianapolis: GTE Mobilnet, Mobile Communications of America, Western Union.

Kansas City (Missouri & Kansas): Southwestern Bell Mobile Systems.

Los Angeles-Anaheim: Pacific Telesis, Pactel Mobile Access.

Miami-Fort Lauderdale: BellSouth Mobility.

Milwaukee: Ameritech Mobile Communications, American Cellular Telephone, Cellular Mobile Systems.

Minneapolis-St Paul: Continental Telecom, MCI, U.S. West's Newvector Communications.

New Orleans: BellSouth Mobility.

New York: NYNEX, LIN Broadcasting, Metromedia.

Philadelphia: Bell Atlantic, LIN Broadcasting.

Pittsburgh: Bell Atlantic.

Phoenix: U.S. West's Newvector Communications.

Portland: GTE Mobilnet.

Seattle-Everett: McCaw Communications, U.S. West's Newvector Communications.

St Louis: Southwestern Bell Mobile Systems.

Tampa-St Petersburg: GTE Mobilnet, U.S. West's Newvector Communications.

Research: Rivka Nachoms

The U.S.

PAUL TAYLOR

IN TWO years, three out of four Americans will have access to cellular communications. Only 18 months after commercial introduction in the U.S., in Chicago, cellular mobile telephone systems are already beginning to test their promise of revolutionising mobile communications.

The pace of expansion is breathtaking. Cellular systems are in operation or about to go on-stream in 36 urban areas compared with four a year ago. In most areas although there are marked differences, sign-ups have at least matched the industry's expectations.

With the price of equipment plunging, and competition between cellular subsidiaries of the seven Bell Telephone holding companies and their rivals hotting up, the range of services is expanding while the cost to users falls.

Almost 100,000 people — mostly professionals like doctors and lawyers, small businessmen and salesmen — have cellular systems in their vehicles. By the end of the decade conservative forecasts put the number of subscribers at about 1.7m. Some experts predict several times that number.

By 1994, a decade after cellular's debut in the U.S., Mr Cliff Beane, telecommunications marketing and policy studies manager for management consultants Arthur D. Little, estimates there will be 3m subscribers in the U.S. and 7m worldwide. Based on an average monthly telephone bill of $150 a month, the U.S. cellular market will have grown to a $5.4bn a year industry.

Most estimates add about $4bn a year from sale of equipment to the public and $4bn for the antennae, computers, building and other aspects of the transmitting and receiving systems.

If the projections prove correct, the cellular telephone industry in the U.S. could turn out to be one of the fastest growing new businesses ever. The surface of the potential market has only been scratched.

Mr Robert Edelman, general manager for cellular systems in AT&T's consumer products division, one of the main equipment suppliers estimates that before the century is over, one in every four of five cars could have cellular phones. Currently there are about 125m vehicles and 35m trucks in the U.S.

The system operators and equipment makers, who supply not only phone units but stations and transmitters, are scrambling for a share of the expected bonanza. There are more than 20 companies supplying cellular telephone equipment in the U.S. including Motorola, AT&T, Northern Telecom, GE, Harris, Ericsson, Oki, Panasonic and NEC.

Manufacturers like market leader Motorola offer ranges including models with features such as transfer call, speaker-phone and other facilities costing more than $3,000. Oki Electric makes equipment in its own suitcase for just under $3,000 while Motorola has a $4,000 hand-held model.

Battle

AT&T sells three cellular models including a "hand free" unit with a microphone that can be placed on a sun visor. Suggested retail prices range from $1,600 to $2,020 plus installation and labour costs.

Competition and a flood of imports are sending equipment prices plunging. A few months ago the average price of a cellular telephone was about $2,500. Today it is about $1,500, and equipment costing less than $1,200 is becoming available. In five years most analysts believe the cost will have dropped well below $1,000.

The battle for the U.S. market was highlighted last year when Motorola filed an anti-dumping complaint against Japanese manufacturers, whose imports of cellular phones into the U.S. in the first nine months last year totalled about $85m.

A preliminary decision by the U.S. International Trade Commission ruled that Japanese imports may be harming home manufacturers, so the U.S. Commerce Department is continuing the investigation. If Motorola wins rulings in its favour, penalty duties could be imposed on imports from Japan.

Increasing competition between the Bell subsidiaries and their rivals is also forcing cellular service costs down. Charges, which average between $150 and $200 a month could drop to about $80 over five years.

It was to spur such competition that the Federal Communications Commission decided to allocate two cellular licences in each main area—one to the local telephone company and another to an independent system operator.

The FCC received almost 150 applications for licences in 54 "second tier" cities, forcing it to threaten a lottery for allotting licences, before bidders teamed into partnerships, resolving the problem. Many of these partnerships brought together small entrepreneurial companies and major independent telecommunications and media groups like GTE Telenet, MCI and Metromedia.

Metromedia has invested heavily in cellular and is producing perhaps the fiercest battle for the Bell System, with its Cellular One service in Baltimore-Washington, started in December 1983—before Bell Atlantic Mobil systems got its own service into operation.

Both Bell Atlantic and Cellular have begun offering special packages for $99 a month, including leased equipment and up to two hours' worth of peak-time calls, together with an option to buy the equipment after three years.

Last month Bell Atlantic introduced what it called "the cellular industry's first consumer-priced package." For $49.95 a month, this offers a car phone and 100 minutes free off-peak calls.

The company says this will broaden appeal. Customers will be charged 15 cents a minute in off-peak hours after using up their free time and 65 cents a minute during the 7 am to 7 pm period Monday to Friday.

Mr Brian Wood of Bell Atlantic, says the price cuts are a result of the "brutal" competition in the Baltimore-Washington market. "We were the first wire company to experience competition and we were the only one second into the market. I expect price cuts in other markets," he says.

Such price competition could pose problems for some operators who have invested heavily in networks. The cost of setting up a service averages about $12m per area or about $500,000 per cell.

But costs can vary dramatically. GTE Mobilnet, a subsidiary of GTE, which has an 86.7 per cent stake in the Portland, Oregan system which started last month, says the system cost $4.5m. In contrast, in New York NYNEX has built a 20-cell network costing $25m and capable of handling almost 100,000 simultaneous calls.

New York's market is probably one of the largest in the nation, NYNEX is chasing custom which could be worth more than $400m within five years.

The sometimes patchy acceptance of the new service could prove another pitfall for system operators. "It varies from market to market," Mr Beane, of Arthur D. Little, says. "Some cities have developed quickly because of aggressive marketing while others have been slower."

In Chicago, extensive testing of cellular technology by AT&T and Motorola generated interest and enormous initial demand which far outstripped projections, but has reportedly slowed. In New York and Los Angeles, pent-up need has spurred initial demand.

Mr Reed Royalty, vice-president of external affairs for Pactel Mobile Access, which started up in June in the potentially large Los Angeles market, says subscribers grew in the first six months to 15,000. This was almost twice the projection and he says growth is continuing.

But in other areas like Indianapolis the response has been less enthusiastic. Last year, only a few months after Indianapolis Telephone Company's $7m cellular system went into operation, the company fired its president amid rumours that subscribers had fallen far short of projections.

Pacesetter

In many cases marketing is proving to be the key to success. Some companies have set up strings of agents and, like Pactel, have encouraged resale of services.

Among the resellers, Tandy Corp, the computer and electronic goods manufacturer and retail outlet, is emerging as a pacesetter. Tandy has signed cellular telephone marketing agreements with wireline and radio common carriers in all the top 30 U.S. markets.

Through its nationwide chain of 7,000 Radio Shack stores, Tandy offers one-stop shopping for radio telephones. It sells, installs and services cellular telephones and, under agreement with the system operators, provides a personal mobile telephone number at the time of purchase.

Cellular mobile telephone service in the U.S. is moving rapidly from a start-up phase into widespread commercial operation. Already investors are looking for the winners and losers, in a business which has still to fulfil its promise.

There will be some casualties, particularly among equipment manufacturers where there is talk of an industry shake-out.

Big nine go abroad for more growth

Japan

ROY GARNER

FOR JAPAN'S nine manufacturers of car telephone equipment, overseas markets — notably the U.S. — are becoming of primary importance.

The home market has shown steady growth, and is characterised by high-quality equipment, but expansion is limited by technical standards and the powerful control of Nippon Telehone and Telegraph, which handles equipment purchases and decides user fees.

Makers are facing a delicate situation, however, owing to a dispute with Motorola, which has complained to the U.S. Commerce Department and the International Trade Commission that the Japanese are selling in the U.S. at less than fair value.

In the Japan market, Motorola is the only foreign supplier but provides less than 1 per cent of overall NTT purchases. This imbalance between low foreign participation in Japan and Japanese activity abroad comes at a time of trade frictions over telecommunications business in general. It accounts for the low profile being adopted by Japanese car phone companies.

Monopoly

Another result of the Motorola action has been a decision by the Japanese to increase production at U.S. subsidiaries and boost their purchases of local phone parts to pre-empt calls for protectionist action within the U.S. Oki Electric Industry, for example, has an annual production capacity of 70,000 units at its Atlanta plant, and in January Fujitsu opened a subsidiary in Dallas.

In spite of strong U.S. pressure on Japan to open markets there seems little chance that the removal of NTT's legal monopoly, scheduled for April 1, will rapidly bring new opportunities for foreign companies or any change in the shape of the market.

Japan's cellular radio network began in December 1979 and approximately 300 relay stations have been set up, providing service within all the main cities. It has proved effective in overcoming the problems of radio communications in dense urban areas.

The Japanese carrier frequency is 800 MHz, although a 450 MHz system was used during research. Single channel communications are within a 25 KHz band width which, in the case of Tokyo, allows for about 50,000 users. NTT is developing a 12.5 KHz system which would allow a doubling of capacity. This upgrading is not scheduled to be introduced until about 1989, and Motorola is believed to be waiting for this expansion before attempting a more aggressive market entry.

NEC and Matsushita provide about 60 per cent and 40 per cent respectively of phone equipment purchased by NTT, which reflects the level of funding supplied by the two companies for the original research.

NTT selected five manufacturers as possible suppliers in August 1982 and, in addition to NEC and Matsushita, now purchases a small number of receivers from Nihon Musen, Fujitsu, Mitsubishi Electric and Motorola. In the 1985 financial year, the NTT purchase price for a complete equipment set is expected to be Y300,000 (£1,060).

NTT says that its allocation of purchases between the companies depends upon competitive price and quality. European companies were unable to offer a competitive product within NTT equipment specifications, it adds.

Growth of the Japan market is held back by the purchase and operating costs of car phone equipment. Users must pay a Y80,000 installation fee, a Y200,000 refundable deposit, and pay rental fees of Y30,000 a month. Charges are Y10 for 6.5 seconds for local daytime calls compared with Y10 for three minutes on an ordinary line.

Pressure from Japanese users has brought an NTT proposal to reduce the rental charge to Y20,000, but this is still unlikely to attract new customers outside the current user groups, which are predominantly in the business world.

With Japan's massive budget deficits, there is little chance of the Government allowing significant cuts in fees, so no dramatic growth in the car phone market can be expected in the near future.